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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Battle lines drawn for U.S. bank deregulation, Page 12

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NEWS SUMMARY

GENERAL

Greece under pressure in EEC

West German Foreign Minister Hans Dietrich Genscher said that the Greek Government had unleashed a crisis of confidence in the European Community.

He said that this was not merely over its veto of the EEC attempt to condemn the Soviet Union for the shooting down of the Korean jet, but because of the use of its chairmanship of the EEC Council.

If the Greek attitude did not change, European co-operation could be paralysed.

In Strasbourg, Conservative members of the European Parliament are planning a censure move against Greece.

The Parliament seems likely to authorise a 1.7bn European currency unit (\$1.47bn) injection to save the Common Agricultural Policy from bankruptcy, Page 3

Nicaragua complaint

Nicaragua has complained to the UN Security Council about increased attacks from U.S.-backed rebels, Page 5

U.S. troops warning

Leading U.S. Defence Department official Fred C. Ikle warned that unless the U.S. achieved a military victory over guerrillas in Central America it could be forced to station troops there "as in Korea and West Germany", Page 5

False alarm

Dutch Parliament chamber was cleared for nearly three hours after a telephoned bomb warning. But an object found in a sack proved to be a large flask.

Zimbabwe inquiry

Zimbabwe has appointed a committee of inquiry to investigate allegations of army brutality against civilians in Matabeleland earlier this year.

Provos plan manhunt

The Provisional Irish Republican Army says it has launched a manhunt for informers who helped convict 80 of its members. Sympathisers in the U.S., Canada, Australia and New Zealand are to watch for high-speeding Irishmen. Ulster's "supergrasses", Page 8

Japanese air alert

Japan sent up eight fighter aircraft after radar showed that at least five Soviet aircraft, including three supersonic bombers, flew over the Sea of Japan.

Moscow ban broken

A volunteer Air France crew flew a Boeing 727 from Paris to Moscow in defiance of a ban by the French pilots' union.

Egypt arrests four

Egypt arrested four people on charges of forming a subversive group to spy on Libyans living there.

Briefly...

Belgium's rail strike spread to bus, tram, and underground services.

Light aircraft crashed on hitting a pylon at Tordisillas, near Madrid, killing two.

Bombay: At least two people were killed when police fired at a crowd protesting against demolition of huts.

Portuguese jeweller has been fined 150m escudos (\$1.2m) for evading purchase tax.

Israeli Premier Menachem Begin, who is in bad health, has not left his house for five days, newspapers report.

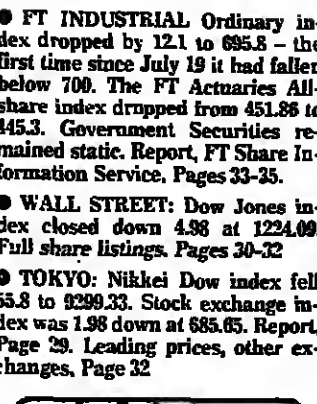
BUSINESS

London index below 700

FT INDUSTRIAL Ordinary index dropped by 12.1 to 685.5 - the first time since July 19 it had fallen below 700. The FT Actuaries All-share index dropped from 451.88 to 445.3. Government Securities remained static. Report, FT Share Information Service, Pages 33-35.

WALL STREET: Dow Jones index closed down 4.98 at 1224.09. Full share listings, Pages 30-32.

TOKYO: Nikkei Dow index fell 55.8 to 3298.33. Stock exchange index was 1.98 down at 865.85. Report, Page 29. Leading prices, other exchanges, Page 32.



DOLLAR rose ahead of U.S. Treasury refunding moves, to DM 2.679 (DM 2.6605), FF 8.085 (FF 8.0125), SwFr 2.1775 (SwFr 2.163) and Y243.9 (Y243.4). Its Bank of England trade-weighted index rose from 123.3 to 124.8. In New York the dollar closed at DM 2.682; SwFr 2.181; FF 8.0675 and Y243.5. Page 29

STERLING fell 85 points to 51.494 and to 365 (336), but improved to DM 4.005 (DM 4), FF 12.073 (FF 12.055) and SwFr 2.255 (SwFr 2.225). Its trade-weighted fell from 84.9 to 84.7. In New York the sterling closed at 84.91. Page 30

GOLD fell \$7.5 in London to \$466.67. In Frankfurt it fell \$9.25 to \$466.73. In Zurich it dropped \$18 to \$247.5. Its New York's Comex September settlement was \$467.1 (\$465.3). Page 38

AUSTRALIA is expected to lift its wage freeze next week. Page 4

SPAIN plans to hold wage increases over the next two years below the inflation rate. Page 2

MOROCCAN Finance Minister Abdelatif Joughi left for talks in London and Bonn on his country's \$11bn debts.

ARGENTINA has asked foreign creditors for a 30-day extension of a waiver on \$300m repayments due tomorrow. Page 20

COMPANIES

SWEDISH institutions are seeking a shareholders' meeting of Sandvik, the special steels group and one of the country's top 15 companies, to remove the board, after currency speculation losses of Skr 218m (\$27.5m). Page 20

R. H. MACY, the U.S. store group, reported a 38 per cent increase in net profits for the year ended July at \$186.7m. Page 21

HEWLETT-PACKARD, the U.S. electronics group, is buying control of its Japanese affiliate Yokogawa Hewlett-Packard in a deal said to be worth more than \$30m. Page 21

BRITISH AEROSPACE, aircraft and weapons manufacturer, reported a first-half taxable surplus of 2 per cent down at £36.5m (\$54.5m) Lex, Page 20. Details, Page 24

LLOYD'S outgoing chairman Sir Peter Green, the leading underwriter of London's international insurance market, told members that millions of pounds of their funds lodged offshore will be used to meet coming trading losses. Page 20

Paris wants EEC tariff wall for high-tech industry

BY DAVID HOUSEGO IN PARIS

France has proposed a significant increase in external European Community tariffs to protect new, high-technology, European industries against competition from Japanese and U.S. concerns.

The French ideas were put to the EEC Council of Ministers on Monday by M. André Chénégat, the minister responsible for European affairs.

They are seen in Paris as one element in an important French initiative towards pan-European collaboration in industry and research, to help make up the ground lost to the Americans and Japanese in high technology and other growth industries such as micro electronics, telecommunications and new forms of energy production.

The French programme includes recommendations for a tougher common external policy and the opening up of national public purchasing to bidding by other European companies.

It also calls for greater standardisation of industrial norms within Europe; encouragement for mergers among leading European concerns to strengthen their competitive power; the pooling of research efforts; and more financial backing for high technology sectors from EEC institutions.

The programme stems from a detailed study inside the French administration. It is the main plank in France's bid to influence discussion within the EEC on reform of the budget and Community institutions.

The French intend to press for their programme when they take over the EEC presidency next year, with other proposals for closer economic and monetary co-operation.

The programme is an extension of the ambitious proposals for industrial restructuring on a European scale that the French Socialist first put forward shortly after coming to power.

The document gives few examples of the projects the French have in mind but it points to successful co-operation to date over Airbus Industrie, the Ariane space programme and the European nuclear research centre CERN.

President François Mitterrand, visiting CERN yesterday, declared that Europe must not "miss out on the third industrial revolution."

The French proposals are also accompanied by suggestions for a concerted European investment programme. An important aspect of this for President Mitterrand's administration is that it would like a European economic recovery to accompany the expected stimulus to the French economy in 1985-86 in time for the 1986 legislative elections.

The French propose among other things:

- A larger and more co-ordinated common research effort. That might include shared research projects in integrated circuits, telecommunications.

Continued on Page 20

UK acts on oil tax after BP sale proposal

By Ray Deffer in London

MR NIGEL LAWSON, UK Chancellor of the Exchequer, yesterday threw up a barrier in the path of British Petroleum's (BP) proposed £200m (\$388m) sale of North Sea Forties field assets.

He moved quickly to close a tax loophole which BP was hoping to exploit. The sale - involving 12.5 per cent of BP's interest in Forties - will still go ahead but it is likely to attract fewer buyers. Following the Chancellor's action the Inland Revenue is expected to receive well over £100m in petroleum revenue tax (PRT) which it could have lost under the original BP proposals.

Mr Lawson has stepped in to prevent companies using tax credits gained from the expenditure on past exploration and appraisal drilling against production revenue in the Forties field. He said that the impact on oil tax revenues would be "extremely costly" if the tactic was applied widely in the North Sea. It was estimated that the industry had amassed about £1.2bn in unrelieved expenditure which could have been offset against tax in deals like the one originally proposed by BP.

Changes in petroleum revenue tax regulations are to be introduced in next spring's Finance Bill, although they will affect all changes in oil field ownership as from today. Companies will still be able to use tax credits obtained from present and future drilling activities to offset their tax bills, however.

Mr Lawson's announcement is the latest in an extraordinary series of events. BP surprised the oil industry by revealing a week ago that it planned to sell 12 per cent of the highly-taxed Forties field (12.5 per cent of its own stake). Under the original scheme, BP proposed to sell 10 per cent of Forties in small units each representing 0.25 per cent of the field's assets at a minimum tender price of £5.25m. BP has also been negotiating with two unnamed companies for the sale of the other 2 per cent interest.

The move, which had been discussed in Whitehall, also fell foul of ministers partly because of the implications for tax revenue and partly because it introduced a new system of changing ownership in North Sea oil fields. The Government was also upset by the method and timing of the announcement.

Continued on Page 20

U.S. prepared to defend Beirut forces

BY PATRICK COCKBURN IN BEIRUT, REGINALD DALE IN WASHINGTON AND LOUIS FARES IN DAMASCUS

INTERNATIONAL involvement in the Lebanese crisis appeared to be deepening yesterday as the United States approved the use of air strikes in addition to naval gunfire if needed to defend the multinational peacekeeping forces in Beirut.

The approval came as Saudi Arabian efforts to mediate in the fighting made little headway and Syria warned that it would oppose further military involvement in Lebanon. Heavy fighting was continuing last night.

The White House insisted that there had been no change in the operating orders under which the Marines are allowed to respond to attack - all kinds of defensive fire are available. Mr Reagan has, on several occasions in the past week or so, pledged that the Marines will defend themselves with all resources at their command.

Washington's explanation, however, seemed to give the U.S. forces greater scope to use air and naval shellfire to defend not only themselves but other contingents in the multinational force - as well as the Lebanese army.

"If the Marines are in danger because the Lebanese army is in difficulty, the Marines are authorised to defend themselves," Mr Larry Speakes, the White House spokesman said. This statement seemed to imply that Marines could respond to fire directed at a neighbouring Lebanese army unit.

The White House clarification came as members of Congress, which reconvened in Washington on Monday, showed growing anxiety that U.S. forces would be drawn further into the conflict. There were some fears in Washington that the Marines could increasingly be seen as supporting the Lebanese Government, rather than indulging in a neutral peace-keeping role.

In a move which reflected the growing concern in member nations of the multinational force, Mr Richard Luce, the UK Foreign Office Minister responsible for Middle East policy, flew to the embattled city to start a fact-finding tour.

Mr Luce will visit the 96-strong British contingent in the peace-keeping force and hold talks with Lebanese ministers. But officials in London said Mr Luce's brief did not include discussions of the size or composition of the force.

Continued on Page 20

China and U.S. close to \$25bn nuclear treaty

BY MARK BAKER IN PEKING

CHINA and the U.S. are close to agreement on a bilateral nuclear co-operation treaty that would enable American companies to compete for energy contracts worth an estimated \$25bn.

A delegation headed by the U.S. special ambassador for nuclear affairs, Mr Richard Kennedy, is due in Peking on Sunday to continue negotiations.

China, which last week applied to join the International Atomic Energy Agency (IAEA), appears ready to accept U.S. safeguards and inspection conditions in return for advanced nuclear technology.

"There is already good mutual understanding. We have come a long way down the road to agreement," a U.S. diplomatic source said.

China plans to build eight nuclear power stations by the year 2000. An official U.S. study has estimated that American companies stand to win contracts worth as much as \$25bn supplying the nuclear energy programme.

The U.S. Nuclear Non-Proliferation Act prevents U.S. companies from bidding for the Chinese contracts until agreement has been reached between the two governments. Such agreements are designed, in part, to stop buyers of U.S. technology selling to third countries for military purposes.

The U.S. Government now appears to be accepting the reality that China, which exploded its first nuclear device in 1964, is already a major nuclear power.

The negotiations are believed to be concentrating on general provisions for safe handling of materials, rather than the risks of China "passing" technologies, as the country already has the ability to trade its own highly sophisticated technology.

"If a guy already has a Maserati, giving him a Jeep is nothing," the U.S. source said.

China is believed to want U.S. co-operation in the energy programme as an alternative source for supplying a large quantity of advanced equipment quickly.

The U.S. source said the treaty would acknowledge China's unique status among the five nations with nuclear weapons: "It is a nation friendly to the U.S., not the same as Britain and France, who are allies, nor the Soviet Union, which is neither friendly nor an ally."

But he said the treaty was not a "commercial negotiation," and the U.S. would not be sacrificing its overall non-proliferation interests.

Canada's nuclear problems, Page 5

LancerBoss takes over Steinbock

BY PETER BRUCE IN LONDON

THE SPECIALIST UK fork lift truck manufacturer LancerBoss has taken over West Germany's third largest lift truck producer, Steinbock, for about DM 10m (\$3.75m). The deal was struck after Steinbock's creditor banks agreed to write-off loans worth DM 55m.

Mr Neville Bowman-Shaw, chairman of LancerBoss, which ranks second in Britain to Lansing Bagnall, said yesterday the Bavarian Government had also put up a "symbolic" amount of money in grant to signal its backing for the package. Steinbock manufactures in two plants, both in Bavaria.

The combined sales of LancerBoss and Steinbock, about DM 304m last year, places the new group among the 10 major producers in the world.

The deal represents the culmination of a two-year search by LancerBoss for a partner, preferably one with a range of small lift trucks to complement its large products, which are used chiefly in container handling.

Mr Bowman-Shaw said LancerBoss would "follow to the letter" a plan in hand before the takeover to cut Steinbock's workforce from 1,100 to 840. Also, the smaller of the two Steinbock plants in Bavaria would be closed and production of Steinbock's larger trucks would be transferred to Leighton Buzzard in England, where LancerBoss is based.

Agreement by the German banks to write off Steinbock's loans had been critical, Mr Bowman-Shaw said. The company's capital could now be restructured with its gearing of 300 per cent cut by two thirds.

Continued on Page 20

Volkswagen expects to raise output at U.S. plant by 10%

BY KENNETH GOODING IN FRANKFURT

VOLKSWAGEN expects to increase car output at its U.S. plant this year by 10 per cent from 92,000 to 102,000.

Sales of U.S.-built VW cars, however, will not match the 1982 total because some of this year's output will replenish stocks, according to Volkswagen's sales director, Dr Werner Schmidt.

Sales of imported VW and Audi cars should more than make up for the downturn in locally produced models, and the group expects total U.S. registrations at the end of 1983 to show an increase of about 15 per cent on last year's 202,000.

Output at VW's Westmoreland, Pennsylvania, plant plummeted by 55 per cent in 1981 as the U.S. market turned away from the diesel cars on which the group relied heavily for sales. Talks have taken place with the U.S. group Chrysler about the possibility of sharing Westmoreland capacity, but VW confirmed yesterday that these had ended.

Westmoreland is now producing 450 cars a day and stock levels are "too low," according to Dr Carl Hahn, VW's chairman.

In the first eight months of this year VW-Audi sold 142,400 cars in the U.S., about the same as in the January-August period of 1982.

The group's car sales worldwide are forecast to match last year's 2.1m, said Dr Schmidt. Increases in the U.S. and West Germany will be offset by a slight fall in sales in the rest of Europe and by a major fall in Mexico.

In addition, although group registrations in Brazil in the first seven months rose 14.6 per cent to 170,000, that progress might not be maintained.

Dr Hahn said that Brazil's industries must expect to face difficulties in the next two years as the Government attempts to solve the country's economic problems.

In response, VW has boosted its export effort and in the first seven months of this year exported 60 per cent more cars and light commercial vehicles from Brazil.

VW forecast that the West German market would reach a total of 2.4m cars this year, a rise of 10 per cent. But Dr Hahn insisted that this could not be described as a boom, only a reaction to pent-up demand. It would also be below the peak 2.89m of 1978.

In the first eight months of 1983 VW and Audi delivered 516,000 vehicles in Germany, up 8.3 per cent. Sales to the rest of Europe at 419,000 were slightly below those for the same period a year ago. The group sold 1.45m vehicles worldwide in the first eight months.

VW's joint ventures with Nissan of Japan and Seat in Spain are both progressing smoothly, Dr Schmidt said. In Japan Nissan would produce the first Santitas at the end of this year, for sale early in 1984.

In Spain VW expects to sell 8,000-10,000 imported cars in 1983 through the 600 Seat dealers who have, so far, been signed up. Assembly of the Passat begins at the end of this year and Polo/derby production is scheduled for a year later.

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EUROPEAN NEWS

U.S. tries to keep fractious allies apart, but together

"THE EASTERN Mediterranean is a region we must and do care about. It is also an area of frustration," Mr Richard Burt, U.S. Undersecretary for European Affairs, said last month.

Some of that frustration was eased last week with the signing of an agreement between Washington and the Socialist Government of Mr Andreas Papandreu in Athens to extend for at least five years the operation of the four military bases which the U.S. has maintained in Greece since 1953.

The negotiations over the bases underscored the long-term strategic and political quandary in which the U.S. finds itself in the Eastern Mediterranean, where, for almost 20 years it has been the uncomfortable "superpower in the middle" between its two quarrelling regional allies, Greece and Turkey.

Both countries remain dependent on the U.S. for defence aid. Athens and Ankara are locked in a fierce race for American arms, and military credit. Greece is expected hurriedly to match last week's purchase by Turkey of 160 U.S.-made F-16 aircraft with a purchase of about 100 aircraft of the same type. It will pay for the aircraft with the help of the \$500m in U.S. military aid for this year secured with the signing of the bases agreement.

The ink was hardly dry on the bases agreement with Greece before Ankara was signalling its displeasure to the Americans over reports that the text included a commitment by Washington to maintain the balance of military power between Greece and Turkey.

Just as characteristically, Washington had not fully satisfied the Greeks either. Athens feels that U.S. favouritism for Turkey was to blame for the fact that the Americans could not be persuaded to commit themselves to maintaining the 7:10 economic and military aid ratio for Greece and Turkey which the U.S. has informally kept since the late 1970s.

The present Greek Government blames the U.S. for its support of the 1967-74 colonels' junta, and for what many believe to have been its direct encouragement of the 1974 coup in Cyprus and the subsequent Turkish invasion. It is also convinced that since the loss of Iran and Afghanistan, Turkey is seen by Washington as the more important of the two allies.

The Turks, for their part cite with bitterness the arms embargo imposed on Ankara by the U.S. in the wake of the Cyprus crisis. Despite U.S. support for the military regime in Ankara, they feel that an American tilt towards Greece is the inevitable consequence of the large Greek-American com-



munity in the U.S. and the effective Greek lobby in Congress. Washington has tried to avoid coming down on either the Greek or the Turkish side.

There are fundamental strategic reasons for the U.S. attitude, highlighted by the tough battle fought to preserve Washington's rights over the military bases in Greece.

During the negotiations, the argument was often heard that these bases were expendable, their functions transferable to satellites or to locations in other Nato countries such as Italy or Turkey.

Privately U.S. diplomats concede that moving the bases to Turkey or to Italy would be a costly and physically elaborate

exercise which the U.S. is anxious to avoid, requiring the duplication of natural harbour facilities such as those available to the U.S. Sixth Fleet on the island of Crete. Satellites are vulnerable to attack and to weather conditions, they say.

The U.S. maintains four major bases and several ancillary installations in Greece. The most important base is at Souda Bay on the island of Crete, half way between the Greek mainland and the Libyan coast. The Souda Bay complex provides natural anchorage and port facilities for the Sixth Fleet as well as an airstrip, and houses ammunition, including, according to some reports, nuclear deep-sea charges, for both

U.S. and Nato naval forces. It is linked to the nearby Nato Nafthi missile firing range.

The next most important base is at Nea Makri, north of Athens, which is part of the U.S. global communications system, controlling nuclear submarines in the Mediterranean. It also acts as a back-up command post for the Indian Ocean and a main link for U.S. diplomatic communications.

An airbase at Hellenikon, east of Athens, is a centre for surveillance and reconnaissance missions in the Middle East as well as the northern Versaw Pact area. Hierakion airbase, on Crete, is used for monitoring Soviet activity in the eastern Mediterranean.

Military experts agree that the Greek bases form an integral strategic unit with those in Turkey, which would break down if either country were neutralised as a Western ally. While the bases in Turkey are used passively for intelligence-gathering and deterrence, those in Greece provide active direct operational support for the Sixth Fleet.

A report to the U.S. Senate Foreign Relations Committee argues that the Crete bases, which are the most difficult to replace, are also essential to support the defence of Turkey, where jointly operated American bases are geared towards identifying and countering any Soviet attack on the vital Dar-

danelles Straits from the north. It is the Nato capability that is derived from the interrelationship between these bases... that is more important to the U.S. and Nato than any individual base in either country," the report concludes.

America officials stress the need to try to mend fences between the Greeks and the Turks, although they admit that the chances of success are slim. On the Greek side Mr Papandreu's 1981 election victory has made things worse. His radical image in opposition has forced him to guard against any softening of his anti-U.S. attitude, lest he lose face before his electorate.

Mr Papandreu has shown little interest in American and Nato suggestions that he should start talks with Turkey and negotiations between officials of the two countries are so far limited to minor economic and tourism issues.

Mr Papandreu has also been reluctant to endorse the recent Washington-backed initiative by Mr Javier Perez de Cuellar, the UN Secretary-General, for a Cyprus settlement—the most obvious route to the easing of Greco-Turkish tensions.

Asked what the U.S. would do if Greece and Turkey were ever to clash again, most U.S. diplomats sigh and look pained. "Well, we'll try and stop them, I guess," one said. "Got any better ideas?"

Spain plans to hold pay below inflation rate

BY TOM BURNS IN MADRID

SPAIN'S Socialist Government intends to hold down wages below the expected inflation rate over the next two years. It is also committed to introducing short-term contracts in response to long-standing business complaints over present rigid employment legislation.

Details of the Government's plans were disclosed at a series of separate meetings between the Ministers of the Economy, Employment, and Industry, and leaders of unions and employers' associations yesterday and on Monday.

Mr Miguel Boyer, Economy Minister, claimed the proposed wage restraints would be a major factor in the creation of 640,000 jobs by 1986.

In a clear bid to meet labour dissatisfaction over the restraints and the short-term contracts, Mr Boyer allegedly agreed to consider doubling budget allocations for unemployment benefits and to increase minimum pensions to three points above the inflation rate, during his meeting with the Socialist trade union, the Union General de Trabajadores (UGT).

The Communist-led trade union, Comisiones Obreras, which met with the Government yesterday, sharply criticised the proposals, terming them a "brusque stabilisation plan," and accused the Government of reneging on promises to negotiate with unions a broad four-year economic recovery programme. Mr Boyer expects an 8 per cent inflation rate in 1984—against a targeted 12 per cent this year—and intends to hold

down salary increases to 6.5 per cent.

In 1985, the Economy Minister said, wage rises would be half a point below the inflation rate. The Government intended there to be parity between salary increases and the cost of living index in 1986, the last year of the Socialist mandate, he added.

At the meetings, Sr Joaquín Almunia, Employment Minister, argued that an alteration to the present fixed employment legislation was, in addition to the wage restraint policy, essential to the overall Government plan to reduce unemployment.

Increased lay-off benefits and pensions, as well as the under-takings on jobs, are the visible sweeteners that the Government could introduce in its budget when it is presented to Parliament at the end of this month.

The UGT leadership is wary of the rival Comisiones Obreras union capitalising on the austerity measures.

The Government intention to create 640,000 jobs by 1986, of which 185,000 would be created by next year, falls short of a key Socialist electoral campaign promise to expand the labour market with 800,000 jobs by the end of its mandate.

The present undertaking would reduce the current unemployment rate of 17.5 per cent to 13.7 over the next three years. Economy Minister Almunia said a marked economic improvement would, however, allow the Government to meet its 800,000 job campaign pledge.

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Capacity of Setenave shipyard to be reduced

BY DIANA SMITH IN LISBON

THE CAPACITY of Portugal's financially crippled Setenave shipyard will be reduced. The yard, whose accumulated losses exceed \$100m (\$66m) is the first casualty in the campaign by the Government or Sr Mario Soares to cut support to public-sector lame ducks.

The Soares Cabinet decision, published in the official gazette this week, calls for gradual reduction in capacity, retaining enough, however, to allow Setenave at some future date to refurbish Portugal's merchant fleet.

The yard employs more than 6,000 workers, most of whom have not been productively employed for years due to the world shipping crisis and Setenave's reputation for constant labour troubles which discouraged possible clients.

Redundancies at Setenave are likely to begin within a month. Workers who lose their jobs

will be covered by the national Unemployment Fund, the Government stresses.

Meanwhile, Setenave's management may not accept any orders without prior authorisation from the Government. At the moment, the yard is completing three grain carriers for the national shipping company CNR (Companhia Nacional de Navegação), itself suffering from financial difficulties.

Setenave was founded in 1972 when it seemed that the super-tankers for which it was geared were the vessels of the future. Nationalised in the 1975 Revolution, the yard became a hive of left-wing militancy.

The orders lost then were never recouped. Nevertheless, jobs in the yard were sustained by resources from the unemployment fund, and the yard was kept alive by huge loans from nationalised banks and Government subsidies.

Norwegian Conservatives hit by local poll setback

BY FAY GJESTER IN OSLO

NORWAY'S Conservative Party, dominant partner in the ruling three-party coalition, suffered an unexpected sharp setback in local elections on Sunday and Monday.

It lost support both to Labour, the largest opposition party, and to the small far-right Progress Party.

The latter did even better than polls had predicted, winning 6.3 per cent of the vote.

This was a gain of 3.8 percentage points on the previous local elections four years ago and 1.8 percentage points better than in the September 1981 General Election.

The Labour and Conservative Parties secured 39.3 per cent and 28.1 per cent respectively. For Labour, this was an encouraging gain. It compared with 37.3 per cent in 1981, and 36.1 per cent in 1979.

For the Conservatives, led by Prime Minister Kåre Willoch, it was a mortifying drop from 31.6 per cent in the 1981 General Election, and from 29.7 per cent in the 1979 local elections. It was also well below most opinion survey forecasts, which had predicted a 30-31 per cent

Conservative poll. Voter turnout, at only 67.6 per cent, was the lowest since World War II.

The economic recession, which began to bite in Norway just about the time that the Conservatives came to power two years ago, is at least partly to blame for the party's poor showing.

It has led to a leftward swing by working-class voters worried by rising unemployment and public spending cuts which they see as a threat to the welfare state.

At the other end of the political spectrum, middle- and upper-income groups, who had hoped for generous tax concessions and hefty public spending cuts under a Conservative administration, have been disappointed by the Government's relatively tame performance on both scores.

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July 1983

Finance Ministers more hopeful on world recovery

By MAX WILKINSON, ECONOMICS CORRESPONDENT

FINANCE MINISTERS and their officials from the major industrial countries have become significantly more optimistic since the summer about the prospects for recovery of the world economy.

Their change of mood has resulted from a number of formal and informal discussions, the latest of which was of the EEC Finance Ministers meeting at the Greek island of Kefalonia this weekend. Ministers have been encouraged by more optimistic forecasts now being made privately at the Organisation for Economic Co-operation and Development in Paris.

In its latest published forecast in July, the OECD predicted that world output would rise by 3½ per cent next year compared with this. However, it put the annual growth rate for Europe at only 1½ per cent for 1983 and 1½ per cent for next year.

A consensus is now emerging among government economists in Europe that growth is year will be half a somewhat higher than the OECD predicted.

Although these revisions appear small, they represent an important new emphasis in view of the feebleness of Euro-

pean recovery in the early part of the year and fears that weak growth might be snuffed out again next year.

Now ministers appear confident that the European economy will follow the U.S. and Japan into a recovery phase next year, though at a rather halting pace.

Even small shadings of opinion about the course of world recovery are likely to be important in the discussions about world debt problems at the International Monetary Fund's annual meeting in Washington at the end of the month.

W. Germans show deep rooted love of forests

By Jonathan Carr in Bonn

WEST GERMANS are more worried about the creeping death of their forests than they are about the arms race. They would even pay a special levy to save the trees they love.

On the face of it, these results of a new opinion poll may look surprising, with thousands of Germans on demonstrating against nuclear missiles and incomes generally pretty tight.

But the poll, by the respected Allensbach Institute, merely confirms what generations of poets and artists have recognised. For the Germans, forests are a national symbol (challenged in modern times, perhaps, only by the fast car).

According to Allensbach, no less than 99 per cent of Germans older than 16 have heard about the dying trees, and more than half have noticed worrying signs in their neighbourhood.

Asked what problems particularly worried them, more than 90 per cent mentioned unemployment. But 74 per cent were concerned about the forests, 4 per cent more than those worried about the arms race. More than 60 per cent of the survey found, would pay a levy to finance a save-the-trees programme.

Poland wants share of church farm aid

POLAND would like to see funds from a controversial scheme channelling Western church aid to private farmers spent on capital investment in state-run agricultural-related industries, Christopher Bohinski reports.

Mr Stanislaw Zieba, Agriculture Minister, yesterday suggested some of the fund might be spent on pesticide factories, tyre plants and the animal feed industry. He denied the idea had been put as a condition for official agreement.

Under the plan—given an official go-ahead in principle—Western churches hope to raise DM 5bn (£1.25bn), to sell machinery, seed and pesticides to Poland's private farmers who farm 75 per cent of the land.

Genscher attacks Greek handling of EEC issues

By OUR BONN CORRESPONDENT

THE West German Foreign Minister, Herr Hans Dietrich Genscher, has criticised Greece in unusually bitter terms, saying the Athens government has unleashed a "crisis of confidence" in the European Community.

In a radio interview yesterday, Herr Genscher made clear his criticism applied to Greece's chairmanship of the EEC council in general, not simply to its controversial stand over the downed Korean airliner.

If the Greek attitude did not change, Herr Genscher said

European foreign policy co-operation would be paralysed and efforts to reform EEC finances and agriculture could be threatened too.

Herr Genscher, who normally favours wrapping up his dissatisfaction in more diplomatic phraseology, is known to be especially annoyed by Greece's efforts to win EEC support for shelving the NATO timetable for missile deployment.

Mr Yiannis Charalambopoulos, the Greek Foreign Minister, was defiant and un-

bowed yesterday in the face of attacks in the European Parliament against the Greek Government's neutral stand over the shooting down of the South Korean airliner, writes John Wyles.

Greece's refusal to allow Community Foreign Ministers to issue a joint condemnation of the Soviet Union on Monday appears to have outraged a good many MEPs who took likely to pass an emergency resolution critical of Greece, tabled by some British Conservatives.

CAP likely to get extra funds

By JOHN WYLES IN STRASBOURG

THE EUROPEAN Parliament looks likely to authorise a 1.7bn European currency unit (€984m) cash injection for the Common Agricultural Policy by the end of October—just in time to save the CAP from bankruptcy.

Predictions that Parliament would approve a supplementary budget for the community around October 28-29 were being offered yesterday by leaders of its key budget committee. According to some members, the Parliament's vulnerability to pressure from the EEC's rural agricultural lobbies is beginning to assure

a clear majority for the extra funds.

But in a bid to gain the maximum political advantage from the cash crisis overhauling the CAP, parliamentary strategists do not want to hurry the passage of the supplementary budget, through the first of the Parliament's plenary sessions in October, beginning on October 10.

Mr Christopher Tugendhat, the European Commissioner for Budgetary Affairs, warned the committee yesterday that if the extra cash was not available, before October 20 the Commission would only be able on that day to advance to member states

half the current ECU 1.4bn monthly cost of the CAP.

The timetable envisaged by the budget committee virtually ensures that only a half payment will be made. However, passage of the supplementary budget by the end of October should enable the Commission to pay the other half, of the monthly advance, in time to avoid any serious disruption of CAP operations.

Approval of the budget should also enable the UK to gain the extra £171.6m, which it contains as an additional rebate on Britain's payments to the EEC budget in 1982.

French official shot dead in Corsica

By PAUL BETTS IN PARIS

A SENIOR local government official was shot dead in Corsica yesterday in one of the most serious acts of violence since the separatist Corsican National Liberation Front (FLNC) was outlawed by the Mitterrand administration at the beginning of this year.

M Pierre Massimi, 36, a Parisian who was appointed one of the island's most important local officials last April, was murdered as he was returning home from his office in Bastia, the island's northern port town and traditional hotbed of autonomist violence. The M Massimi was the secretary-

general of the council of northern Corsica. Although no group immediately claimed responsibility for the shooting, his murder was widely regarded as another act of terrorist violence in the troubled Mediterranean island.

The French Government has sought to crack down on autonomist violence in Corsica this year, first by outlawing the FLNC and then by sending Commissioner Robert Broussard, one of France's best-known policemen, to organise a campaign to try to put an end to the island's political and criminal violence.

Work on 'atom tunnel' starts

By Anthony McDermott in Geneva

THE PRESIDENTS of Switzerland and France yesterday inaugurated construction work on a 27-kilometre circular tunnel which will be a key part of the "atom smashing" research programme of the European Council for Nuclear Research (CERN). CERN has its headquarters at Meyrin, just outside Geneva.

Five-sixths of the tunnel, known technically as LEP (large electron positron collider) will be under France in the Gex region. It will be operational by the end of 1985. The project, costing SwFr 950m (£290m), has been awarded to a large number of European, U.S., Canadian and Japanese companies.

Belgium faces public service strike

A NEAR nation-wide Belgian railstrike spread to the postal service and Brussels's public transit system yesterday, as Belgium braced itself for a strike tomorrow by 800,000 public service employees angry about planned cuts in benefits and wages.

The streets of Brussels were jammed with traffic and the work rail strike made many late for work. There was only very limited subway service in Brussels and no buses and trams.

Only a few trains operated in Flanders, Belgium's Dutch-speaking northern half, officials reported.

Post office employees joined the rail and transit workers yesterday afternoon and said they would stay off work until at least Friday evening.

Union officials said planned budget-cutting measures by the Government will cost Government workers the equivalent of \$188m next year in cuts in salary, lower vacation and year-end bonuses, and higher social security contributions.

Mr Willy De Clerq, Finance Minister, said the austerity measures will yield savings in the public service sector of \$158m. He added that the Government will not back down in its efforts to improve Belgium's precarious financial situation.

The strike by rail workers has thrown international and national train service in disarray. Trains between Amsterdam and Paris were rerouted through West Germany and Luxembourg.

Geneva probes Gelli escape

THE GENEVA City Council has formed a special commission to investigate the disappearance from a local prison of Sig Licio Gelli, a key figure in the Italian "P2" political and financial scandal.

Sig Gelli, the elusive former Grandmaster of the secret P2 masonic lodge, fled effortlessly from Geneva's Champ-Dollon jail on August 10, hidden in a small delivery van.

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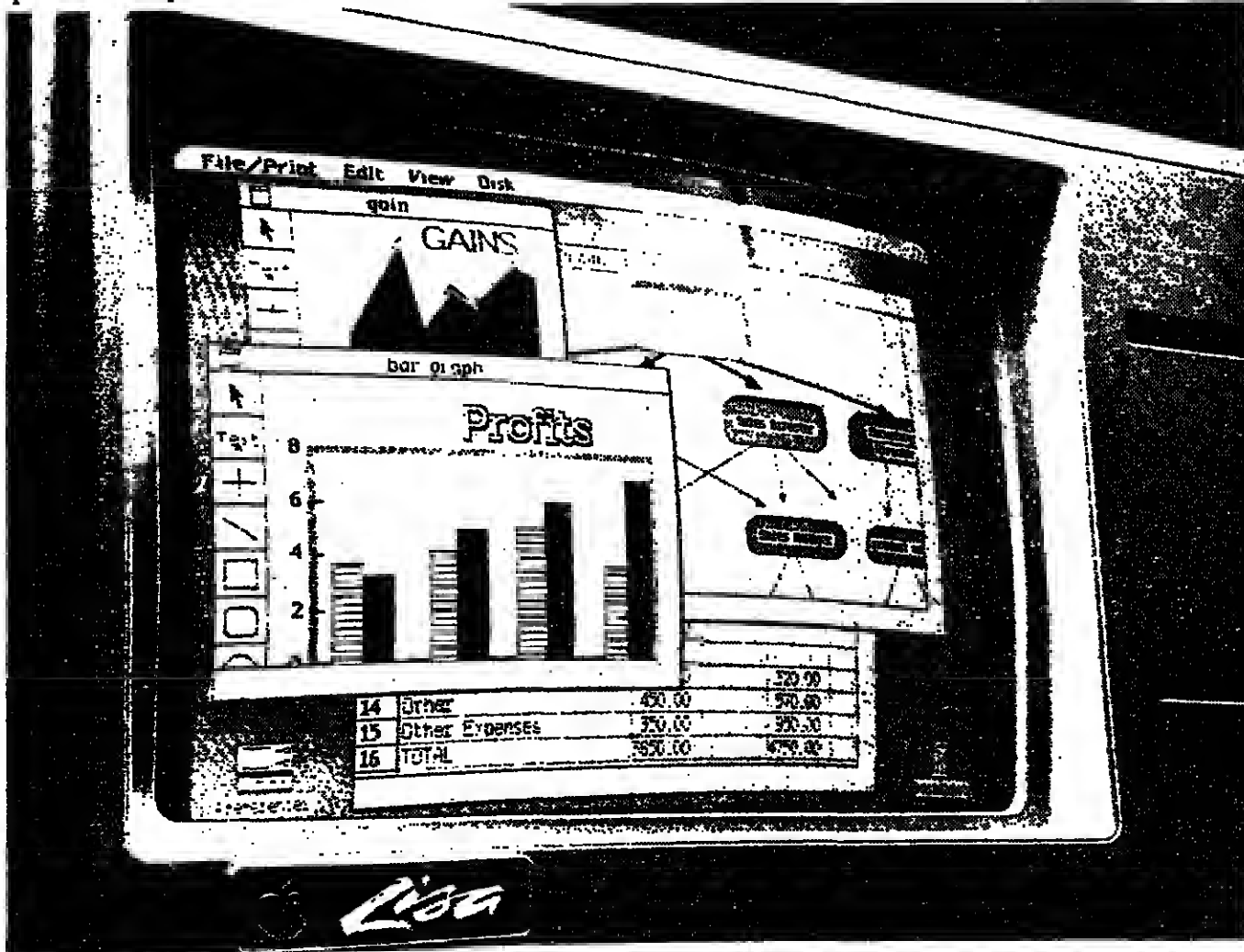
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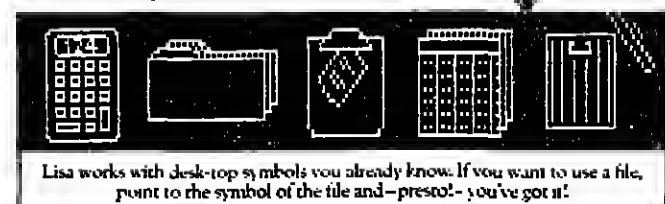
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Lisa works with desk-top symbols you already know. If you want to use a file, point to the symbol of the file and— presto!—you've got it!

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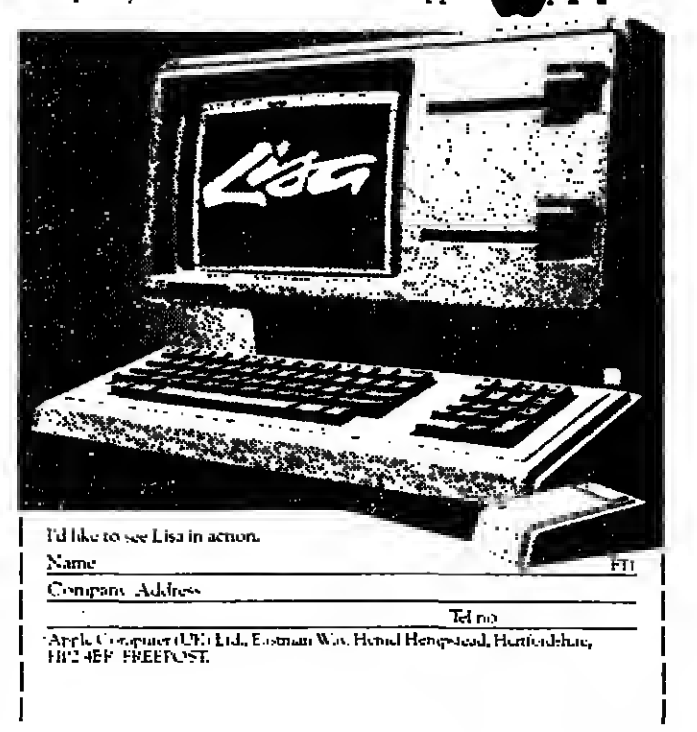
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OVERSEAS NEWS

FIGHTING IN LEBANON

New role for PLO prompts Israel row

BY DAVID LENNON IN TEL AVIV

THE GROWING concern in Israel over the role of the Palestine Liberation Organisation in the current round of fighting in Lebanon has led to a sharp row within the Israeli Cabinet between Prof Moshe Arens, the Defence Minister, and his predecessor, Gen Ariel Sharon.

Israel appears to be somewhat taken back by the active participation of more than 1,000 Palestinian guerrillas in the fighting in the Chouf Mountains near Beirut. Israel invaded Lebanon 15 months ago to drive the PLO out of Lebanon, and is now dismayed to see the guerrillas returning to the areas the Israeli army evacuated just over a week ago.

The sternest critic of Israel's current policy in Lebanon is Gen Sharon, the man behind the Israeli invasion. Though forced to give up the defence portfolio by the criticism of his actions in the reports of the Israeli Inquiry into the Sabra

and Chatilla massacres, he remains in the Cabinet as a Minister without portfolio.

In an undisciplined broadside, he accused Prof Arens, of being responsible for incorrect policies which have allowed the PLO to return to Beirut, and enhance the standing of Syria.

"When I left office seven months ago the PLO had been ousted from Beirut, their infrastructure had been smashed, Galilee had been saved. The Syrians and the PLO had been driven from the Chouf," Gen Sharon declared at a public meeting. "Now, when I am no longer at the centre of decision making, the Syrians and PLO and the Druze who collaborate with them are returning to places from which they were ousted."

"Those who brought this about are those who failed to disclose to the Cabinet what they were doing in Lebanon."

This was a clear reference to



Prof. Arens... attacked by Gen Sharon

Prof. Arens. On Sunday the two men crossed swords at the weekly Cabinet meeting, with Prof. Arens blaming Gen Sharon for the "original sin" of overthrowing the Christian Phalange forces to enter the Chouf.

The battle between these two leading members of the Herut Party is likely to make the task of running a new Government quite problematic for Mr Yitzhak Shamir, the Foreign Minister.

Reagan walks tightrope on use of Marines

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

IT NOW seems an inordinately long time ago that Reagan Administration officials could be heard confidently suggesting that the U.S. Marines in Beirut would be "home by Christmas."

The last few days have seen the Marines drawn ever more closely in the frustrating conflict, take their first combat casualties and receive major new offshore reinforcements.

Following a top-level White House meeting at the weekend, the Marines have now been told that they can call in air strikes from U.S. carrier-based aircraft, as well as use the long-range guns of the U.S. warships off the Lebanese coast to defend themselves "without limit" from shelling.

In addition to the 1,200 Marines already on shore, and 800 in support at sea, a further 2,000 have now arrived from the Indian Ocean. The refurbished World War II battleship, the New Jersey, with 16 inch guns, has passed through the Panama Canal reportedly en route for the Mediterranean to provide further fire power. The Syrians, who the Administration regard as heavily responsible for the latest fighting, have been clearly warned that the fire power is there to be used.

And yet it is as unclear as ever where this is all going to lead, either on the ground in Lebanon or back on Mr Reagan's home turf in Washington.

Politically, Mr Reagan is walking a narrow tightrope. He wants to secure public backing for the Marines' efforts as part of his wider aim of seeking a Lebanese and ultimately a Middle Eastern settlement. But he does not want to hand control over the operation to Congress in the process.

Mr Reagan fears that a major Congressional debate on the issue would "send the wrong signal" to the Syrians.

If the Marines were to leave, the future of the entire multinational force would obviously be in question—the French, for instance have taken considerable explicit intention to prevent the recurrence of another Vietnam by limiting the President's authority to conduct foreign

to withdraw from crisis areas at the first whiff of grapes. He wants the deployment of U.S. military forces around the world to be taken seriously—not least in Central America.

The fact remains, however, that U.S. public opinion is highly sensitive to the sight of flag-draped American coffins being brought home on the nightly television news. During their five-week recess that ended on Monday, many Congressmen detected a fairly widespread, though not overwhelming, feeling at the grass roots that the Marines should be pulled out.

There is probably not a majority in Congress for withdrawal, but there may well be a majority for exerting some Congressional authority over the exercise. Congress has the constitutional right to declare war.

That is where the 1973 War Powers Resolution (or Act) enters the picture. The Act's explicit intention was to prevent the recurrence of another Vietnam by limiting the President's authority to conduct foreign

military adventures. Up to now, however, Mr Reagan has insisted that it does not apply to Beirut.

In order to substantiate this claim, his Administration has been forced into extraordinary verbal contortions. The Marines, it insists, are not in an area of "hostilities" or "imminent hostilities"—a determination that would trigger time limits and Congressional procedures under the Act. With the number of dead and wounded mounting, that is a position that is becoming increasingly difficult to maintain.

What Mr Reagan may now do is to go along with compromise moves to approve the peacekeeping force, but not under the terms of the Act. If, as a number of Congressmen are now suggesting, approval might be granted for 18 months, that would take Mr Reagan up to and beyond next year's elections.

The validity of some sections of the Act has, in any case, become legally debatable, following this summer's ruling by the Supreme Court overturning Congress's power of "legislative veto." The uncertainty could

easily lead to a clash between the White House and Capitol Hill that Mr Reagan is anxious to avoid. He clearly wants to keep his hands as free as possible.

For the moment, however, his freedom of action is severely constrained. He cannot withdraw the Marines without accepting a defeat for his foreign policy and appearing weak and he cannot increase the numbers on the ground dramatically without risking a more serious confrontation with Congress over his war-making authority.

Support for his policy would almost certainly be easier to come by if the general American public were clearer about what it is that the Marines are actually meant to be doing in Beirut. "We're here to help the people of the country," they always say when interviewed on television. But Lebanese politics remains a mystery to most Americans and if the Marines continue to be sucked into what seems like a pointless conflict, pressure can only mount for their removal.

Sri Lanka tourist industry badly hit by ethnic violence

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA'S tourist industry has proved the first major casualty of the recent wave of ethnic violence.

The island's fastest growing industry in recent years (3.6 per cent growth in 1982) tourism is also the fourth highest exchange earner after tea, remittances from expatriate workers—mainly in the Middle East—and rubber.

Last year, tourist income reached \$150m and provided employment, direct and indirect, for more than 100,000 people.

After July occupancy dropped so sharply that the manager of

the Intercontinental Hotel described the present situation as "lousy." Occupancy, which had been slightly over 80 per cent, slumped to 30 per cent, he said. The manager of the "Lanka Oberoi" who also complained of a sudden drop said that the suspension of charters in July and August was the main reason. With the steady depreciation of the rupee, a reduction in hotel rates, heavy investment in tourist promotion and three luxury hotels (the Taj, Sheraton and Galadard Meridien) scheduled to open next year, the Sri Lanka Tourist Board had expected earnings to

Sri Lanka's main opposition leader warned yesterday that, unless a solution was found soon to the country's ethnic crisis, a "bitter struggle" would follow.

Mr A. Amirthalingam, leader of the predominant Tamil party in Sri Lanka, the Tamil United Liberation Front (TULF), also accused the island's government and

armed forces of direct complicity in the killing of Tamil nationals in July's racial violence.

Mr Amirthalingam is in London seeking support for a federal solution to the crisis between the Tamil minority in the north of the island and the Sinhalese majority. However, Foreign Office Ministers are refusing to see him.

The beach resorts, which rely heavily on charter groups, have been worst hit. "Occupancy is almost nil and some hotels, already hurt by a new business turnover tax, may go out of business in places like Negombo and Bentota, two favourite resorts," Tourist Hotels Association official said.

August is one of the best months for the trade. The August Perabera in up-country Kandit, one of Asia's most picturesque pageants, brings an average of 30,000 tourists each year. There were less than 2,000 last month.

"peak" in 1984 when 2,000 delegates attend the Pacific Area Travel Agents' conference in Colombo. Tourism had already

taken a small beating earlier this year when the Indian Government slashed exchange allowances to Indian tourists

SATELLITE BRINGS TV TO THE PEOPLE

India looks forward to its first televised election

BY JOHN ELLIOTT IN NEW DELHI

A COMMUNICATIONS satellite launched by the latest American space shuttle and the future of Mrs Indira Gandhi as Prime Minister of India are inextricably linked in the minds of many political pundits in New Delhi.

The satellite is scheduled to bring television from the capital and other centres into the homes of 75 per cent of the Indian population by the end of next year. If Mrs Gandhi waits until the end of her current term as Prime Minister, she will fight India's first television general election at the end of 1984.

The personal prestige and near adulation Mrs Gandhi could gain via television from illiterate and politically unsophisticated villagers has caused scathing comments in New Delhi, where the national television station, the Doordarshan (which means "remote vision") has already been severely criticised for being inefficient, boring, possibly corrupt and under direct Government influence.

The launch of the satellite follows the development of a new policy on colour television manufacture which envisages up to 2.5m sets being made a year.

For the past few days there has been nervous nailing biting at India's space headquarters outside Bangalore, about the future of the satellite, Insat 1B whose solar panels failed to align properly last week. A year ago, an earlier satellite, Insat 1A, failed after six months, just before the Asian Games were held in India. Alternative satellite facilities had to be hired from the U.S.-based Intelsat organisation and (much more cheaply) from the Soviet Union.

A second disaster would not only have put many of the country's communications programmes behind schedule, but would also have been a blow to morale. India has developed a high level of space capability and experience for an underdeveloped country.

The first two Insat satellites, and a third which will follow in 1986 were all ordered from Ford Aerospace of the U.S. ago, an earlier satellite, since then, India has produced three more basic experimental satellites and is now considering building a second generation of Insats itself. Two Insat satellite failures would have been a

blow, even though both were made in the U.S.

Insat 1B combines three major and one minor roles. It provides links for television, telecommunications and for the forecasting of weather and natural disasters, as well as improving radio links.

At present television reaches between 20 per cent and 30 per cent of the population with poor quality national and local programmes, augmented sometimes by imports including Yes, Minister from the U.K. and the Lucy Show from the U.S. Television started in 1959 but was given a very low priority and a second station—in Bombay—was opened only in 1972. Programmes had little appeal and were in black and white.

Now the Government wants to use television to harness the interest and support of as much as possible of the country's 750m population for economic,

laborations are being allowed, although "intelligence copying" and other "reverse engineering" techniques are being quietly encouraged.

Production of black and white television sets has been expanding at about 25 to 30 per cent annually for some years and is now expected to shoot up by more than 50 per cent a year. There are about 80 to 100 assemblers plus another 30 component manufacturers whose technology is foreign-based. Between 700,000 and 800,000 black and white sets are being produced this year.

Insat 1B will provide two nationwide television broadcast channels, one for national and regional networking to enlarge the existing microwave links between cities and to provide direct beaming to community centres in remote villages and 125 extra low-powered transmitters covering areas of up to 12 miles.

New Delhi is offering often sceptical regional stations an evening, national programme, soon to last from 6 pm to midnight, covering news, economic, political and cultural programmes ranging from India's pilgrimage centres to public sector industries.

There are more than 15 basic languages in India and hundreds of dialects, so the national programmes, which will be in Hindi and English, will make maximum use of music and sound rather than speech.

India's tortuous and inefficient internal telephone system will also benefit from Insat 1B, which will provide links between 30 satellite stations costing \$63m, 50 per cent of which have been imported from the U.S. and Japan. The rest have been made in India.

The stations are in major cities, islands such as the Lakadives and rural communities and there is a special voice and computer data service for the Bombay High oil field. They will be more reliable than telephone and routes which cannot cross difficult country and are often disrupted by bad weather.

Some 8,000 two-way, long-distance telephone links are planned, to give new services to the outlying areas as well as adding 40 per cent more circuits to the existing overworked conventional ones between the four main cities of New Delhi, Calcutta, Bombay and Madras.

Nigerian court overturns another election result

BY QUENTIN PEEL, AFRICA EDITOR

A NIGERIAN court has overturned a second controversial election result from last month's polling, with a decision to reverse the victory of the ruling National Party of Nigeria (NPN) candidate for governor in Anambra State.

The election petition court decided that the result should have been awarded to the incumbent, Governor Jim Nwobodo of the Nigerian People's Party (NPP), instead of Chief Christian Onoh of the NPN.

The Anambra result was one of three which were bitterly disputed in the gubernatorial elections in Nigeria's 19 states. One other, in the western state of Ondo, has now been overturned, while the NPN victory in neighbouring Oyo state, which resulted in violent rioting, has been upheld.

All the decisions of the election petition courts are subject to further appeals to federal

courts, and therefore cannot be considered final. However, the decision in Ondo has been greeted with widespread enthusiasm, which will be difficult for any future court to ignore.

The three results were challenged because they were said to have been falsified by election officials in favour of the ruling party of President Shehu Shagari. Nearly 50 people died in the rioting which resulted in Oyo and Ondo states.

President Shagari made a national broadcast on radio and television at the weekend warning against further incidents of violence, and appealing for reconciliation following the elections.

Postponed elections for national senators, representatives and state assemblies are due to be held from today in Oyo and Ondo, and strict security precautions have been taken by the federal government.

Australia set to lift wage freeze

By Michael Thompson-Noel in Sydney

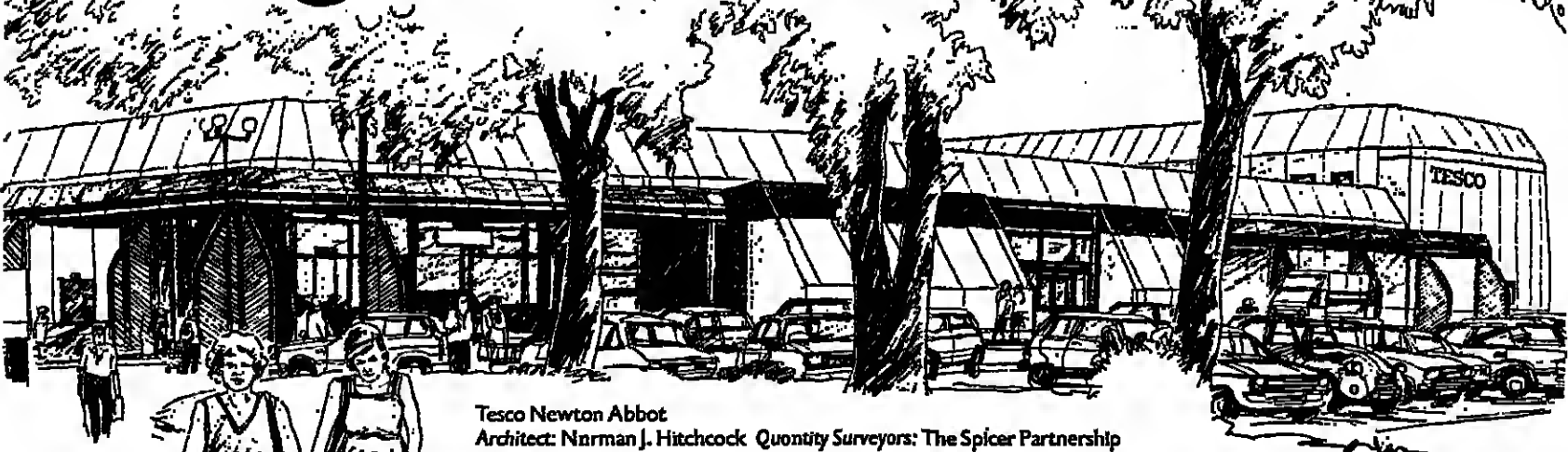
AUSTRALIA is expected formally to lift its wage freeze next week, allowing for the return to fully indexed, centralised wage fixing.

The freeze was introduced late last year by the former Liberal-National Party coalition Government, which lost office to the Australian Labor Party in March.

In recent hearings before the Arbitration Commission, the Australian Council of Trade Unions, supported by Mr Bob Hawke's Government, has campaigned for a 4.3 per cent wage rise, plus full wage indexation tied to increases in consumer price index.

However, Mr Hawke has warned that, should the unions attempt to win further wage increases outside the arbitration system, the Government would have no option but to implement tougher monetary and fiscal policies.

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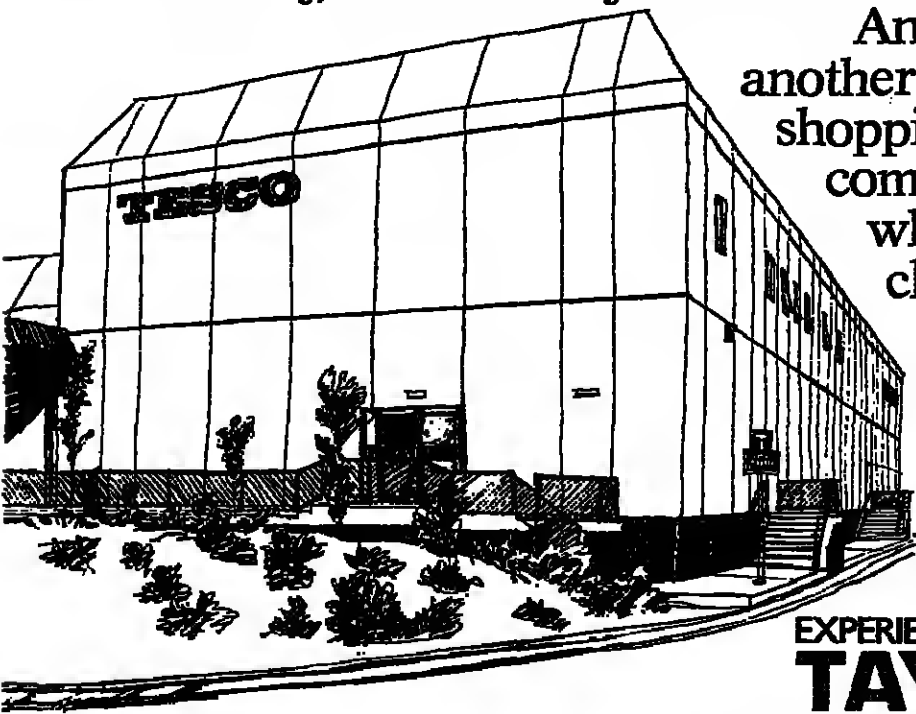
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FT83/2

AMERICAN NEWS

Normal borrowing for major debtors 'after 1985'

BY ANATOLE KALETSKY IN WASHINGTON

THE current international debt crisis should prove to have been a temporary liquidity problem, according to a study by the Institute of International Economics.

Major Third World debtors, says the study, will be able to return to normal capital market borrowing by 1985 or 1986, provided industrialised countries can achieve annual growth rates of at least 2.5 to 3 per cent.

Even under favourable assumptions, however, commercial banks will have to continue involuntary lending to the Third World for several years.

Debtors, it adds, may be justified in imposing sanctions against banks which refuse to increase their exposure as part of a "balanced" strategy for dealing with the debt crisis.

The report, a country-by-country analysis of "international debt and the stability of the world economy," was published yesterday.

The author, Dr William Cline, suggests in his most controversial conclusion, that steps may be taken to force smaller banks to participate fully in debt reschedulings.

At present there is a tendency for some smaller banks to "try to enjoy a free ride" by remaining out of an extension of new credit while benefiting from the maintenance of the security of their own past loans afforded by new contributions from

major banks and public sources, Dr Cline says.

He suggests the debtor countries may have to add their own "incentives" to the "moral pressures" currently being applied on smaller banks by large banks and the official agencies, such as central banks and finance ministries in industrialised countries.

In particular, the debtor countries "might do well" to announce that the existing debts owed to non-operative banks will be treated less favourably than the debts of banks which participate fully in reschedulings.

However, such a step, which has occasionally been mooted in banking circles during the difficult negotiations over rescheduling Brazil's debt, should only be taken after close consultation with the larger banks and regulators in the industrial countries.

In its analysis the institute concludes that the Third World and Eastern Europe will require about \$75bn (£50bn) a year of new financing until 1986.

Given moderate growth in the industrialised world and the avoidance of any increases in interest rates and protectionism, Mexico and Argentina should be able to borrow in financial markets by 1985 and Brazil may be able to resume borrowing by 1986.

Caracas seeks extension of freeze on repayments

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

VENEZUELA'S leading creditor banks are to meet in New York tomorrow to discuss conditions for an extension of the country's present temporary freeze on repayments of principal after it expires on September 30.

The extension is needed because of Venezuela's decision not to adopt an International Monetary Fund austerity programme ahead of its general elections scheduled for early December. This will delay its planned rescheduling of \$18.4bn (£12.5bn) in foreign debt which was originally supposed to have been in place before the current repayments freeze expires.

Although the 13-bank advisory committee, chaired by Chase Manhattan, has little option but to recommend an extension at tomorrow's meeting, there is likely to be some debate over suitable conditions in view of the persistence of

several hundred million dollars in interest arrears by Venezuelan borrowers.

Some banks are arguing that tough conditions should be imposed to keep up the pressure on Venezuela to reduce the arrears. This could include limiting the extension to a short period or increasing the interest margin charged to Venezuela on the extended debt, currently 11 per cent over eurodollar rates or 11 per cent over U.S. prime.

Others feel a very tough stance could encourage smaller creditors to break ranks and call Venezuela into default because of the interest arrears, making its debt problems even more complicated.

Creditor banks have told Venezuela that they will not present a rescheduling proposal till the IMF agreement is reached but preparatory discussions are continuing meanwhile.

Mexico to pay arrears

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO will pay all its \$440m (£293m) of private sector interest arrears at the end of this month, a senior Government official said yesterday.

The arrears, which were incurred last year when Mexico's \$83bn debt crisis exploded and repayments were suspended, were going to be refinanced this month in the form of a "roll-up loan." Just under half the total arrears of \$800m have so far been paid.

The official said the dramatic

turnaround in the country's current account, with a projected surplus of up to \$1bn for the year, had made it possible to pay all the arrears.

The arrears payment is good news for Mexico's bankers who did not take kindly to the idea of capitalising interest payments. The arrears payment should put Mexico in a stronger position to try to reduce the spreads on its new loans. Argentina asks for \$300m debt delay, Page 33

Cloud over Candu after series of reactor accidents

Nicholas Hirst reports on a threat to the Canadian nuclear industry

CANADA'S nuclear engineers are hoping that a catastrophic failure in a pressure tube in one of the country's highly-regarded showpiece reactors is a freak one-off incident, not a generic design flaw.

Last month the excellent safety and performance record of the Canadian designed and built Candu reactor suffered a nasty jolt. Separate incidents resulted in three of the five working reactors at the Pickering power station near Toronto being shut down.

The coincidence of the three incidents in one week could not have come at a more embarrassing time. The Canadian Government was about to agree the details of a much-needed order for two Candu reactors from Romania, first signed in 1978, but held up because of worries over Romania's debt problems.

The C51bn (£540m) deal is to go ahead and the Romanians are talking of ordering a total of 10 Candu reactors. But the initial deal, which gives the Romanians the right to negotiate further agreements with 50 Canadian component suppliers, has been strongly criticised on economic grounds, and there are fears that the Romanian deal will make a loss

like the C813m lost on building a reactor for Argentina, completed this year.

The Romanian orders apart, with no new domestic or foreign deals agreed for the past five years, the Government-owned Atomic Energy of Canada Limited (AECL), which designed the Candu, and the Canadian nuclear industry, employing around 30,000 people is relying on the 11 reactors under construction for Ontario Hydro, the largest Canadian provincial electricity authority, to keep it in work until a pick-up in international nuclear sales occurs towards the end of the decade.

But even if a pick-up occurs, the worldwide overcapacity in nuclear power station building and strong competition from the French and American pressure water reactor systems, the damage to the Candu's reputation from the recent incidents can only put the prospect of further overseas sales and the future of the Canadian industry in doubt.

The more serious accident was the first to occur on August 1. It was the first loss of coolant

accident (LOCA) in a Candu reactor. The LOCA in the Pickering Unit 2 reactor resulted from a crack in one of the reactor's pressure tubes.

These tubes are 20 ft long and 4 in in diameter and there are 390 of them in each reactor. Cameras have shown that the crack measures 76 inches along and 1 in wide.

Cao's designers have claimed that one of the system's most important safety features was that the pressure tubes, containing the uranium oxide fuel bundles and a flow of heavy water as coolant would always leak before they could suffer a catastrophic break. Such a leak, it was argued, could be detected in good time to avoid a serious rupture.

Cameras have shown two broken-off fuel rods lodged in the crack in the damaged pressure tube. Officials are speculating that a tungsten welding electrode may have broken off during construction of the reactor 12 years ago.

Problems were discovered in an adjacent pressure tube last year, and the fuel in that tube was transferred to the damaged

vessel. A foreign object may have been transferred with the fuel and gouged the crack, they say.

If this happened, the accident may have been a unique event and not a design flaw. A design flaw could involve replacing all 390 tubes in Units 1 and 2 at a total cost of C\$350m.

Mr Victor Godin, Director of Public Affairs for AECL, said that the accident, strictly speaking, was not a LOCA. "But if it is a generic problem, it is a significant worry in any technology, and we are no different," he said. "The general feeling is that the accident will not prejudice the design, that we must let the analysis take its course."

Since the tube rupture in August the Candu system has suffered more embarrassing incidents. On September 5, 2,700 litres of radioactive heavy water spilled into Lake Huron from a cooling mechanism at the 16-year-old 200 Mw reactor at Douglas Point, the first commercialized Candu system to be built in Canada. The radiation released was equivalent to 7 per cent of the permitted level of

monthly radiation releases.

Two days earlier 1,800 litres of irradiated heavy water spilled into Lake Ontario from a fueling machine at the unit 5 reactor at Pickering, the most recent Candu reactor to go into service. This leak released 0.04 per cent of the allowable monthly spill.

A spokesman for Ontario Hydro said that the leaks were the largest ever recorded but there was no danger to public health from either spill.

So far, reaction from Canada's customers has indicated they are not unduly worried. The Romanians have said they are still impressed with the overall performance of the Candu and the South Korean Power Company which also operates a Candu reactor, has said it is not concerned by the accident and still believes the Candu to be the safest nuclear system in the world.

Officials of Atomic Energy of Canada have pointed out that even if the Unit 2 reactor is out of service for a year, in terms of lifetime performance it would still rank in the top 20 in the world.

Despite the Candu's performance record and safety features, overseas sales have been poor however. Candus have been sold to Pakistan, India, Argentina, South Korea and now Romania but orders and potential orders are running way behind the one overseas sale a year that a federal Government study last year said the Canadian industry needed to stay in business.

Now that doubts have been raised over the "leak before break" design feature, potential customers could be more wary of opting for Candu.

Opposition leaders in the Ontario legislature have called for a public inquiry into the accidents. The Liberal leader, Mr David Peterson said it "challenged the wisdom of Ontario Hydro's massive expansion programme." Ontario Hydro has reaffirmed its confidence in the reactor, saying that public safety was never at risk.

Ontario Hydro is planning to withdraw the damaged rods from the tube, disconnect it, and send it to the AECL laboratories at Chalk River, near Ottawa, for testing. The reactor is not expected to be back in service until mid-October.

Warning on troops in C. America

By Stewart Fleming in Washington

MR FRED C. IKLE, under-secretary in the U.S. Defence Department, has warned that unless the U.S. achieves a military victory over guerrillas in Central America it could be forced to station troops in the region "as in Korea and West Germany."

The remarks by Mr Ikle, one of the hard-line architects of President Reagan's Central American Policy, reflect the mounting frustration within the Administration at lukewarm Congressional support for its stance.

Mr Ikle said in a speech to the Building for the Americas Foreign Affairs that negotiations alone would not produce a satisfactory resolution of the conflicts in the region.

He said that unless covert support was maintained to "democratic resistance forces in Nicaragua" the country would be turned into a sanctuary from which the nations of Central America could be safely attacked but in which U.S.-backed forces could not operate.

"Such a situation could ultimately force the U.S. to place troops in neighbouring countries, as in Korea and West Germany," he warned. "Clearly we must prevent such a partition of Central America," he said in remarks which were interpreted as calling for Congressional support for increased financial and military support for U.S. involvement in El Salvador, Nicaragua and Honduras.

Chile reserves fall

Chile's foreign reserves, which had been edging up after plummeting by nearly \$11m (£667m) in the first few months of this year, last month fell again from \$1.57bn to \$1.55bn, Mary Helen Spooner reports from Santiago.

Fears of U.S. budget deficit clash

BY NICHOLAS COLCHESTER

PROJECTED U.S. deficits and private demands on the U.S. credit markets clearly support market fears of a clash between U.S. monetary and fiscal policies in 1984 or 1985, or of an inflationary monetary policy if such a clash is to be avoided.

This is the conclusion of a study of the U.S. fiscal deficit published in the summer quarterly review of the Federal Reserve Bank of New York. The analysis puts the size of the U.S. budget deficit into clear perspective, identifies the reasons for its rise and finds that even on the assumption of rapid economic growth the U.S.

is heading into "uncharted fiscal territory."

By 1985 government revenues are expected to be 18.7 per cent of GNP and outlays 24.6 per cent. So the deficit, three years into the economic recovery, will still be 5.9 per cent of GNP, compared with 6.5 per cent in fiscal 1983.

At such a level the deficit will be well in excess of the 1970-1980 average for Japan (2.17 per cent), West Germany (1.85 per cent), the UK (2.37 per cent), France (0.17 per cent), and the U.S. (0.88 per cent).

"More important," says the

study, "the projections of general government deficits as a percentage of net savings, 30 to 60 per cent for the U.S. in 1984 and 1985, is about double the highest figure for Japan during the decade and is above the highest figure for any of the other four countries, except the UK during the 1973 recession."

In fiscal 1983 the U.S. general government deficit is estimated at 70-80 per cent of net private savings.

The study finds that even if the U.S. economy grew at the record rate of 1962-66 the deficit would still be \$150bn in 1985.

Nicaragua protests to UN over rebel attacks

BY OUR FOREIGN STAFF

NICARAGUA has complained to the UN Security Council about the growing number of attacks by U.S.-backed rebels. The complaint follows increased activity, including the first air raids, by the anti-Sandinista guerrilla organisation ARDE (Revolutionary Democratic Alliance) led by former Sandinista leader, Sr Eden Pastora.

The UN Security Council was due to hear Nicaragua's complaint in formal session late yesterday.

Sr Pastora for his part has reiterated from his base in

Costa Rica that his forces will carry out more and bigger bombing raids.

He was quoted as saying: "Today there are three or four planes and tomorrow there will be eight or 12."

Over the weekend Nicaraguan forces shot down a light Cessna aircraft close to the Costa Rican frontier. The plane, carrying arms, ammunition and food supplies, was attempting to resupply ARDE units fighting in the south of the country.

This was the third such aircraft to be brought down in a week.

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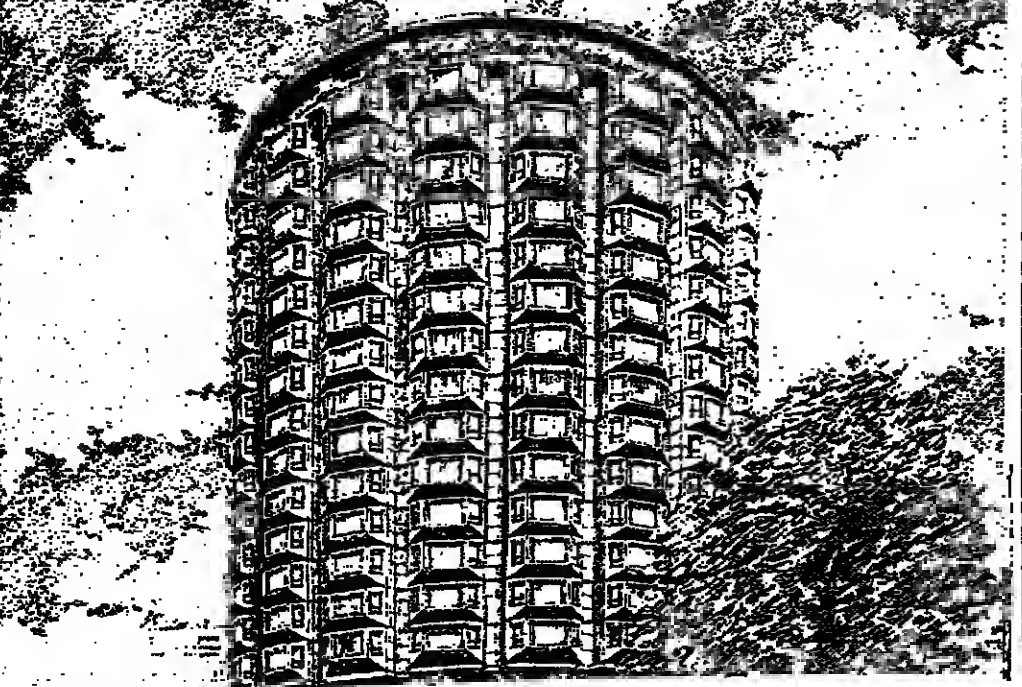
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WORLD TRADE NEWS

Britain in attempt to revive Latin American trade

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

THE BRITISH Government is trying to revive a flagging UK export trade with Latin America in spite of payments problems in many of the countries of the continent.

A three-day conference of commercial officers from Britain's South American diplomatic posts is being convened in Caracas, Venezuela, at the end of the month to launch the export drive.

Mr Paul Channon, the Trade Minister, will open the conference during a two-week visit to Colombia, Venezuela and Trinidad starting next Wednesday.

Britain's share of the Latin American market has dropped from nearly 6 per cent in 1980 to little more than 2 per cent. Import restrictions and the recession caused a drop in UK trade with the continent of 44 per cent in the first seven months of this year. Britain

also has a growing imbalance with Brazil, its largest trading partner in the region. Last year, there was a deficit of nearly £300m on trade of £630m.

In Colombia, one of the countries least affected by debt problems, Mr Channon will be supporting British bids for a \$650m (£430m) mass transit project in Medellin, the country's second largest city.

Fruct runners for the contract are reported to be Franco-Rail, a French group, and a British-West German consortium led by GEC of the UK.

Mr Channon will be accompanied to Colombia by executives from Barclays Bank, British Steel, Incope and W. S. Atkins, the consultancy group. Trinidad is one of Britain's oldest trading partners in the region and UK construction companies are well represented there.

Tax treaty talks planned

TALKS BETWEEN Britain and Indonesia are due to take place next week over the double taxation treaty between the two countries, which the Jakarta Government wants to re-negotiate, Chris Sherwell reports from Jakarta.

The Government unexpectedly gave six months' notice of termination of the agreement at the end of June, a move

which was expected to cause confusion for British companies operating in Indonesia.

Britain is believed to have advised that the action could mean that no treaty whatsoever would be in place at the beginning of 1984. The Jakarta Government subsequently indicated it wanted only to re-negotiate the treaty, which has operated since 1976.

Kevin Done in Stockholm looks at why Volvo and Saab are enjoying record profits

Soaring exports bring boom for Swedish car makers

THE SWEDISH car industry is booming with both Volvo and Saab enjoying record profit levels and surging foreign sales, particularly in the U.S. The value of Swedish car exports in the first six months of the year jumped by 56 per cent to SKr 6.9bn (£58m) and the success of the Swedish car producers in foreign markets is an important factor behind the sharp improvement in the Swedish trade balance this year.

Volvo, the leading Swedish car producer, which recently reported profits for the first half of the year which were higher than for the whole of 1982, owes much of its current success to its car division. Car sales in the first half of 1983 jumped by 51 per cent to SKr 13.5bn with the sales volume rising by 13.6 per cent to 183,000.

In the U.S., which is Volvo's largest market worldwide, sales in the first eight months of

the year increased by 13.7 per cent to 62,819. Mr Bengt Lundberg, a vice-president of Volvo of America the group's U.S. sales subsidiary, said: "We are sold out on the 1983 models and we are still waiting for the 1984s to arrive."

All the way through the deep recession in the U.S. car market, Volvo has been steadily increasing sales to a record level last year of 71,668. It is the second largest European car exporter to the U.S. after Volkswagen/Audi of West Germany and is well ahead of its West German rivals Daimler-Benz and BMW.

Mr Lundberg said: "This year we plan to sell about 82,000 cars in the U.S., that is all we can get from Sweden. The cars are selling themselves, so we don't need to spend a whole lot of money on advertising."

The profitability of Swedish car exports has been helped substantially by the strength of

the dollar and by last year's 16 per cent devaluation of the Swedish krona. The boost from the fall in value of the Swedish currency is offset partly by the high level of components imported by both Volvo and Saab to Sweden however.

Volvo, for instance, buys its diesel engines from Volkswagen in West Germany, automatic gearboxes from both West Germany and the UK and its six-cylinder engines from a joint venture with Renault and Peugeot in France.

Overall Swedish car production has risen by 19 per cent in the first half of the year to 176,400 from 148,700 the year earlier. Last year car output totalled 298,790 and the industry is well on its way this year to matching the record production level of 342,000 achieved in 1973.

Reflecting the declining level of real disposable incomes in Sweden, the domestic car market is depressed this year with

sales volume down by 3 per cent to 130,039 in the first eight months.

Volvo and Saab have succeeded in winning back market leadership from the West German importers, taking 36.2 per cent of the market compared with 35.1 per cent for West German producers and 15.5 per cent for Japanese.

Saab, the smaller of the two Swedish car makers, has increased output levels several times over the last 12 months to try to keep pace with rising demand.

"We shall be increasing production again during the autumn to an annual rate of more than 100,000 cars," says Mr Bengt Odman, vice-president for car sales and marketing. "But in spite of this we expect there will be supply problems in the near future. Both last year and this year we will have sold every stock car we have made as well as also reducing stocks even further."

Production this year is expected to total 340,000 to 350,000 cars compared with 317,000 in 1982 and only 253,900 in 1980. Sales in the first eight months of the year rose by 13 per cent to 63,400, with sales in the U.S. jumping by 50 per cent to 18,000.

In Sweden, Saab has sacrificed some market share in order to direct more cars to export markets, and domestic new registrations were down there before by nearly 5 per cent in the first eight months.

The sales pace in the U.S. will slacken during the autumn, as Saab dealers are unable to get increased supplies from Sweden, where Saab's car plants are already working at full capacity. "We have already disposed of our stock reserves this year," said Mr Robert Sinder, president of Saab-Scania of America, "and stocks held by us and dealers are at rock bottom."

Overall Saab expects to increase car sales in the U.S. this year by around 50 per cent to 24,000-25,000. Demand outside the Nordic region is particularly strong for its most profitable top of the range turbo model.

The success of their car operations abroad has more than compensated the Swedish automobile makers for the decline in sales of commercial vehicles.

The truck divisions of both Saab-Scania and Volvo have reported falling profitability and demand this year and Swedish truck production has dropped by 11 per cent to 23,300 during the first half of 1983, and certain important overseas markets have virtually collapsed.

In both Western Europe and the U.S., Swedish truck makers have been hit by fierce price competition as manufacturers have sought to maintain their shares of declining markets.

Ford to start automatic transmission production soon

BY KEN GOODING IN FRANKFURT

FORD OF Europe is close to starting full-scale production of an automatic transmission for small cars which in trials has proved to be more economic than a five-speed manual gearbox with no loss of performance.

Transmission, suitable for cars with engines of up to 1.6 litres, has been developed jointly by Ford and Van Doorne Transmissions, in which the Dutch Government has a majority shareholding. Currently only about 5 per

cent of small cars in Europe are delivered with automatic transmission. Ford says this is because until now automatic transmissions have brought a 10 per cent loss in both performance and economy.

"We believe that the company which can launch an automatic comparable with a five speed manual gearbox will get major incremental sales," said Mr John Oldfield, director of product development for Ford of Europe.

At the Frankfurt Motor Show,

Ford revealed it has 20 prototype units fitted to Fiestas—half in Germany the rest in Britain—for high mileage evaluation. No formal indications of when the automatic would be put into production but it was suggested yesterday, that it could be within a year. Mr Oldfield said: "The prototype is at an advanced stage and has produced very encouraging results."

Ford calls its transmission the CTX. In principle it is similar to the belt driven automatic used by the old Daf car company. But Ford has been working to improve and develop the concept since 1980.

The CTX uses components from a transmission produced at Ford's Bordeaux plant in France and will probably be assembled there when it goes into production.

Ford captured 18.3 per cent of the West European car market in August—a record for any company—thanks to huge sales in Britain where it sold 117,000 cars.

BMW changes terms of diesel engine deal

BY OUR MOTOR INDUSTRY CORRESPONDENT IN FRANKFURT

BMW, the West German group, has changed the terms of its deal to supply Ford with high performance diesel engines following the collapse of the diesel market in the U.S.

Originally Ford wanted 190,000 diesels from BMW's new plant in Austria delivered over three years. Now the deal is agreed. Ford will still buy all 190,000 engines but only 71,000 in the first three years.

Ford takes delivery of the diesel this month. And BMW will launch its own cars with the Austrian diesel in the States next May.

Mr Hans-Erdmann Schoenbeck, BMW's sales and marketing director, said yesterday:

"We are not happy about the timing of the introduction of the new diesels to the U.S. But we have good reason to believe that the demand for diesel cars there will recover to 8 to 10 per cent of the market in three or four years."

BMW's chairman, Mr Eberhard von Kuenheim, said the company's car output this year would comfortably exceed 400,000 for the first time compared with 379,000 last year.

BMW's own import company in Japan set up two years ago was doing well. Sales in Japan have jumped from 2,000 to 5,000 cars last year and BMW would sell 10,000 a year in the foreseeable future.

Dutch natural gas exports fall again

BY WALTER ELLIS IN AMSTERDAM

THE VALUE of Dutch natural gas exports fell again during the first six months of this year, but there are signs of a levelling off. Between January and the end of June, gas worth £1.57bn (£1.9bn) was sold to foreign customers—mostly in Western Europe—compared with £1.87bn in the first half of 1982.

Last year, gas exports fell in volume terms by 30 per cent causing the revenue-hungry Dutch Government to encourage a renewed sales drive. Since then, Gasunie, the Netherlands gas corporation, has concluded "without endangering the security of long-term supplies, some easing of the natural gas

policy is possible." Conservation measures and falling exports have served to keep more gas in the ground than had been expected in the 1970s and European governments have already been made aware that if they wish to increase purchases in the future, arrangements can be made.

During the first six months of this year, the Netherlands imported natural gas one of the world's largest and most fully integrated fluoride-based products manufacturing facilities in the world. The programme included the expansion of facilities for producing Du Pont's Teflon fluorocarbon copolymers, which are used to coat domestic and industrial materials.

Du Pont yesterday refused to disclose the cost of building the new plant but said that the workforce at Dordrecht would be around 1,500 following its completion.

Currently, Du Pont only makes Viton fluorocarbon polymers at its works in New Jersey in the U.S. The new facility is intended to serve fast growing markets in Europe, Japan and Asia, said Du Pont.

Du Pont set to increase synthetic rubber capacity

BY CARLA RAPOPORT

DU PONT, the largest U.S. chemical company, yesterday said it will double its worldwide capacity for fluorocarbon polymers with the construction of a new plant at its Dordrecht site in the Netherlands.

Fluorocarbon polymers, a synthetic rubber, has a world-wide market of around \$100m (£66m). It is used to extend the service life of industrial equipment.

The new plant is expected to have an initial annual capacity of more than 2,000 tonnes when production starts in 1988. Du Pont claims to be the world leader in supplying fluorocarbon-based products. Its brand of fluorocarbon polymers, Viton, is estimated to account for around half the world-wide market for the product.

Yesterday's announcement marks the final phase of a

programme which is intended to make the Dordrecht site one of the largest and most fully integrated fluoride-based products manufacturing facilities in the world. The programme included the expansion of facilities for producing Du Pont's Teflon fluorocarbon copolymers, which are used to coat domestic and industrial materials.

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Ghent coal terminal opens

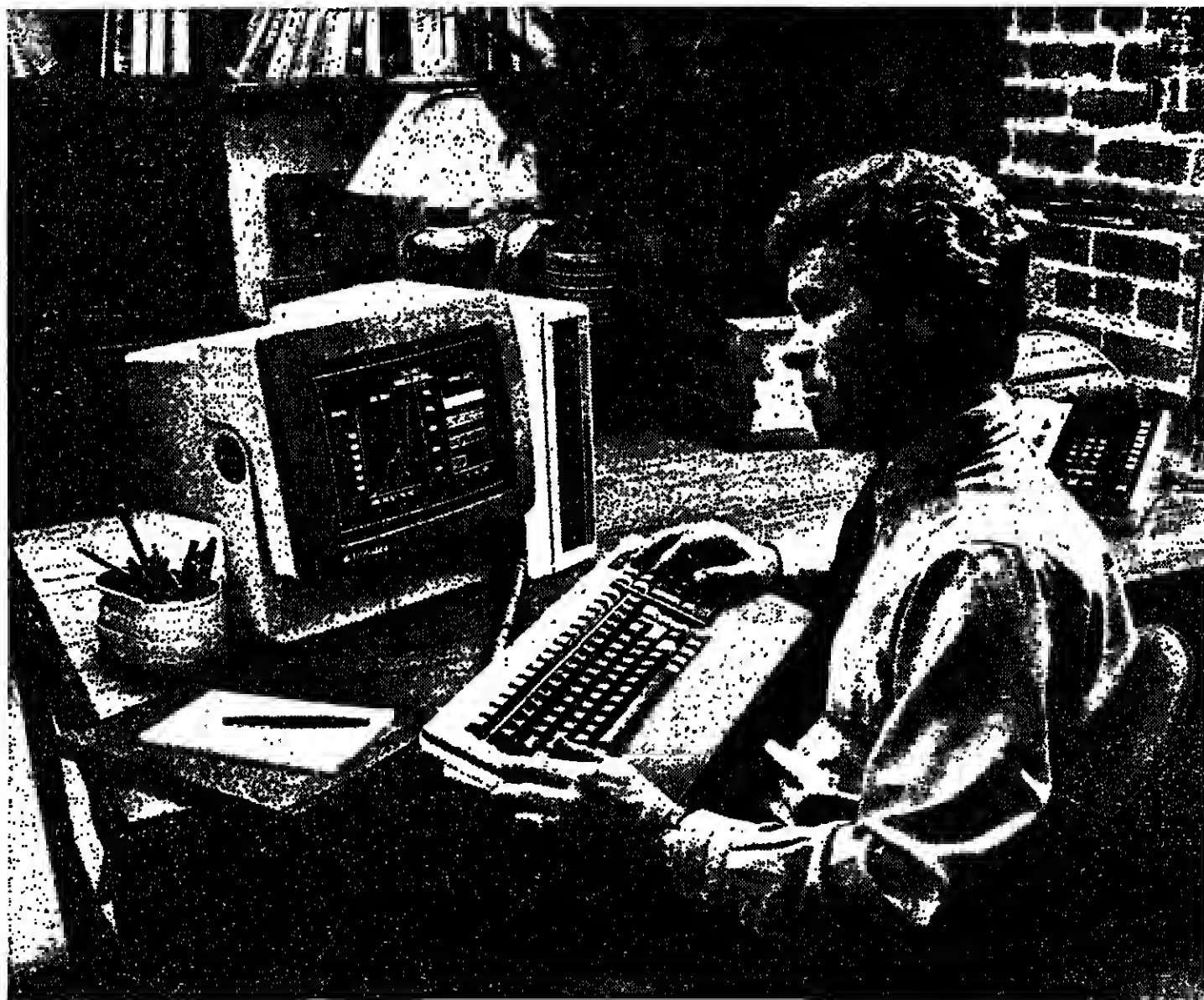
BY MAURICE SAMUELSON

A NEW TERMINAL which will initially permit coal imports to Europe to rise by 2.5m tonnes a year was opened yesterday at Antwerp, Belgium, by Burnett and Hallamshire, Britain's largest open cast coal mining contractor with mining interests around the world.

Built at a cost of £12m, it

covers about 13.5 hectares. Although only small compared with the major coal ports at Amsterdam, Rotterdam and Antwerp, Ghent is a significant addition to Western Europe's coal handling capacity. Ghent can also be used for direct transshipment of some 700,000 tonnes a year.

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Thatcher urged to press U.S. on tax ruling

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

BRITISH companies yesterday urged the Government to make immediate representations in Washington about their U.S. state tax liabilities.

They are afraid that President Reagan is on the brink of a decision that would dash their hopes of outlawing the controversial unitary taxation system now operated by 12 states.

On Tuesday night Mr Reagan asked his Cabinet Council to do further work on the issue, White House sources confirmed yesterday.

The council had reportedly been unanimous in recommending that the President should support legislation to curb the tax and also back an attempt to have the U.S. Supreme Court rehear an important last case on the system.

An unconfirmed report received in London said Mr Reagan decided not to file an *amici curiae* brief to help Container Corporation have its unsuccessful case against California - a leading "unitary" state - heard again.

Mr Ian Greet, spokesman for the Unitary Tax Campaign, a British pressure group, said last night: "We are very, very depressed that the President has not accepted these recommendations." A final verdict could come within 48 hours, he added.

If Mr Reagan refused to challenge the states over the tax, there could be fresh moves to retaliate against U.S. companies operating in Britain, he said.

The Unitary Tax Campaign was behind a clause framed for the Finance Bill proposed by Mr Michael



Mrs Margaret Thatcher

Grylls, chairman of the Conservative Party trade and industry committee, to block credits due under Britain's advance corporation tax.

The principal issue is whether states will continue to be able to assess multinational's worldwide profits when assessing tax payable by local operations.

UK companies believe the Cabinet Council's study group recommended that both U.S. and foreign-owned multinationals should be obliged to report only profits made in the U.S. - the so-called "water's edge" approach.

The difference between unitary taxation and the conventional arms-length assessment method can be counted in hundreds of millions of dollars a year, according to the campaigners.

Howden affair inquiry widened

By John Moore

INVESTIGATORS in the Lloyd's of London insurance market probing the affairs of Alexander Howden Group, the troubled insurance broker, have widened their investigations to study payments made to a former Howden underwriting executive, as reported in some editions yesterday.

Mr Peter Millett, QC and Mr Nigel Holland an accountant dealing with the Howden investigation for Lloyd's, have been examining payments allegedly made in the form of commissions out of Howden through reinsurance contracts to a Swiss bank account of the underwriting executive.

Alexander Howden Group is under investigation by the Department of Trade and Industry, assisted by the City of London Police Fraud Squad, after allegations by Howden's American owners, Alexander & Alexander Services, that \$55m had been misappropriated from the group by former Howden executives.

Alexander & Alexander made its allegations against five former Howden executives: Mr Kenneth Grob, the former chairman, Mr Alan Page, Mr Jack Carpenter, Mr Ronald Comery and Mr Ian Pogge, the former star underwriter. But now Mr Holland and Mr Millett are studying the way other payments were made to another former Howden underwriting executive.

● The Inland Revenue has called for all Lloyd's managing agents, who look after the affairs of Lloyd's underwriting members, to submit details of all funds deposited offshore as "roll-over funds" for tax purposes or as provisions for catastrophe risks.

RECORD AUGUST FOR BUILDING SOCIETIES

Lenders expect shorter queues for home loans

BY MARGARET HUGHES

LAST MONTH was the best August on record for attracting investor funds, according to figures published yesterday by the Building Societies Association. Net receipts totalled £525m romped with £437m a year previously, and was the second highest monthly inflow this year.

Mr Richard Weir, secretary-general of the association, said that there was now a real prospect that mortgage queues would be "significantly reduced during the next few months."

Meanwhile, Mr Clive Thornton, chief general manager of the Abbey National Building Society, said yesterday that his society would not be charging higher mortgage rates as a result of its decision to withdraw from the interest rate cartel. He also forecast that mortgage rates in general were likely to drop by up to 1½ per cent before the spring.

Other societies had predicted that the Abbey would be forced to charge more for its mortgages once it broke away from the cartel because it would be paying more for its funds. But Mr Thornton emphatically denied that this would be the case.

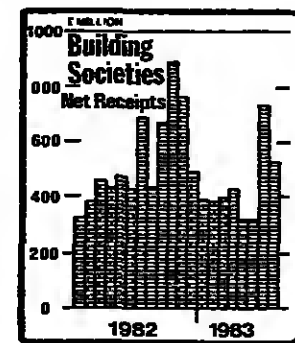
The main effect of breaking ranks with other societies, he said, would be a simplification of the Ab-

bey's investment product range. Although some of the society's existing schemes would pay a higher interest as a result, he claimed that the overall cost of funds would not be increased. Therefore there would be no need to pass on extra costs to home buyers.

Mr Thornton's optimism on the general mortgage front is not shared by the Building Societies Association (BSA) which said yesterday that it did not envisage an early reduction in the mortgage rate. The BSA pointed out that it would need more than the predicted ½ per cent drop in base rates for this to be possible.

Mr Thornton said that Abbey had no intention of returning to the interest rate cartel which had "outlived its usefulness." Investment rates, he said, should be "free to move with market rates" which, in his view, would make the cost of funds to the movement cheaper.

On the mortgage side, he said that rates should be governed by the needs of borrowers to buy houses at prices which they could afford. The rates, he argued, would not necessarily be market related, although market forces would inevitably influence the rate paid for home loans. Abbey would not undertake to comply with any recom-



Bank of England's intervention helped save asbestos group

BY CARLA RAPOPORT

INTERVENTION by the Bank of England helped prevent the collapse of Turner & Newall, the asbestos-based products group with annual sales of more than £800m.

It is understood that the group's 16 bankers became concerned about the high level of borrowings last October after unproductive talks with the group's management.

The bankers then approached the Bank of England for help. Lord Benson, then adviser to the Bank's governor on industrial matters, suggested both a new chairman and an aggressive borrowing reduction programme for the company.

Lord Benson recommended Sir Francis Tombs, then chairman of the Weir Group, for the top job at Turner & Newall. Sir Francis joined the Manchester-based company last November. In February of this year, the group's banks, led by National Westminster, reached agreements on terms which guaranteed their support during a two-year programme of reconstruction.

Turner & Newall will report interim figures for 1983 tomorrow. Last year it reported a loss of £19.3m at the pre-tax level, and an attributable loss of £71.8m.

The Bank of England also provided assistance to both the Weir Group and Stone-Platt, the textile



Sir Francis Tombs: invited to lead the company

machinery and engineering group which went into receivership in March, 1983. The Bank yesterday stressed that this type of assistance never involved funds of its own.

"We carry on a continuing monitoring exercise of the industrial sector," a Bank spokesman said yesterday. "Sometimes we approach a company's principal banker; sometimes they approach us. What the Bank can do will vary enormously from company to company."

Turner & Newall avoids collapse, Page 10

Fuel price war breaks out as UK demand for oil slumps

BY RAY DAFTER, ENERGY EDITOR

DEMAND FOR oil products in the UK has fallen to the lowest level since 1965 and fierce pricing competition has broken out in the industrial and commercial fuel sectors where oil companies are fighting to maintain their market shares.

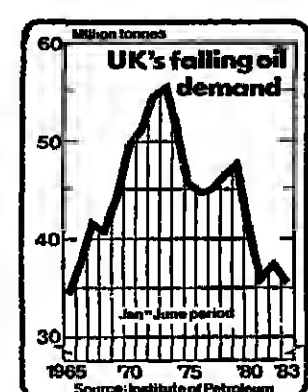
The Institute of Petroleum reported yesterday that demand for refined products in the first half of this year totalled 32.6m tonnes; 5.4 per cent down on the level in the corresponding period last year and 40 per cent below the peak of 1973.

The oil industry was particularly hit by the depressed demand for heavy fuel oil and gas oil used predominantly by industry and commercial undertakings. The economic recession, conservation measures, a mild winter and a switch by some fuel users to coal and natural gas are seen as the main reasons for reduced oil consumption in these sectors.

On the other hand, the Institute pointed out that demand for petrol reached its highest January-June total of 9.5m tonnes; an increase of 2.8 per cent on the same period last year. Naphtia, used largely in the chemical industry, was also in more demand; deliveries in the first six months totalled just over 2m tonnes - up 13.6 per cent on the 1982 January-June period.

Demand for gas oil, together with diesel oil used in stationary engines, fell to less than 5.6m tonnes in the first six months of this year; 6.1 per cent down on the January-June period last year. The drop has resulted in a scramble for sales reflected in price discounts now being offered by oil companies.

John Hall Associates, fuel pricing consultants, consider that many companies are now paying less



than 16p a litre for gas oil as against the 24p - 26p schedule prices being quoted by refiners. As a result of this discounting, the prices being paid for gas oil are little different from those of August/September last year and 1981.

Thatcher to inaugurate Europe's northernmost offshore oilfield

BY MAURICE SAMUELSON

MRS MARGARET THATCHER, the Prime Minister, will this morning inaugurate British Petroleum's £1.3bn Magnus field in the North Sea, the most northerly and deepest-water oilfield in Europe.

At a ceremony at BP's London headquarters she will activate a radio signal which will unveil a plaque aboard the Magnus field platform, 125 miles north-east of Shetland.

It will coincide with two other ceremonies - on the platform itself and at BP Petroleum Development near Aberdeen. The ceremonies will be linked by television, trans-

mitted live by satellite and projected on large, elevated screens at the two locations.

Development of the Magnus field is likely to prove a watershed in the exploitation of Britain's North Sea oilfields. Its recoverable reserves are put at 565m barrels, up to ten times larger than future commercial fields on the UK Continental Shelf.

Magnus, which was discovered in 1974 and lies in 613 feet of water, began producing 15,000 barrels a day on August 14, and is due to reach 120,000 b/d and 9,000 b/d of gas liquids. The oil is piped via the

Ninian field to the Snetland terminal at Sullom Voe.

The Magnus platform, which weighs 70,000 tonnes, is said to incorporate the largest single-piece steel structure ever built.

Mrs Thatcher's presence at BP comes at a delicate time in the relationship between the company and the Government. The Government is to raise revenue by selling £500m worth of the company's shares, while BP plans to raise about £260m by selling 12.5 per cent of its heavily taxed stake in the field.

Survey, Pages 13-16.

Merrill offers £300,000 for UK analysts

By Our City Correspondent

MERRILL LYNCH, the U.S. investment house, is offering up to £300,000 in its efforts to recruit top analysts in London stockbroking firms to its international research department.

The move is designed to restore the international research department in London and New York to its former staff establishment levels after staff departures. In New York, five out of seven of the team have left recently, while in London two of a four man team have left.

Analysts in stockbroking firms Capel Cure Myers and Scrimgeour Kemp-Gee and James Capel are understood to have been approached. So far no one has been appointed although discussions are taking place with a number of possible candidates.

Insiders at Merrill Lynch discounted suggestions in London that the recruitment drive had anything to do with a major thrust by the group into buying large stakes in UK stockbroking firms.

Royal Worcester shuns £19.8m takeover bid

BY CHARLES BATCHELOR

ROYAL WORCESTER, the Spode fine china manufacturer, yesterday rejected a £19.8m all-share bid from Crystalate, a manufacturer of electronics components.

The bid, aimed mainly at Royal Worcester's large Welwyn Electronics subsidiary, could lead to its ceramics businesses being sold off or floated on the stock exchange or on the Unlisted Securities Market (USM).

Royal Worcester is expected to concentrate its defence on the fact that Crystalate's share offer is not underwritten and is not backed by a cash alternative. Royal Worcester's shares rose 40p yesterday to a new 1983 high of 315p, valuing the company at £21.3m, compared with the 292p per share value of the bid. Crystalate fell 4p to 163p, for a market value of £24.5m.

Welwyn accounted for 44 per cent of Royal Worcester's £23m operating profit in the year to January, and for the same percentage of its £49.6m turnover. The most recent figures for Royal Worcester showed that it

made a pre-tax profit of £404,000 in the six months to July on turnover of £25.5m.

Crystalate made pre-tax profits of £1.4m in the six months to March on turnover of £11.5m. Royal Worcester employs about 3,500 people, compared with 1,200 at Crystalate.

Mr John Leworthy, chairman of Crystalate, said: "The bid is a big chunk for us, but you have to look at Worcester as two parts. If Welwyn were for sale I think the logic of the merger would be more readily apparent in size terms. It is lagged a bit by the china situation."

He said there were four options for the ceramics interests - sell them, possibly to a competitor, retain them, float them on the USM or the stock market or arrange a management buy-out.

Crystalate is offering 19 of its own new shares and £16 worth of 8½ per cent convertible unsecured loan stock 2003 at par for every 18 Royal Worcester ordinary shares.

Oil from rubbish scheme on trial

By Maurice Samuelson

A METHOD OF converting urban refuse into oil has been proved chemically feasible and is to be tested for commercial production.

The process, patented by Greater Manchester Council, will undergo commercial feasibility tests by Simchem, a Stockport-based subsidiary of Simon Engineering. The results are expected in about 18 months.

The Manchester authorities have committed £750,000 to the process, which has been tested by scientists at the University of Manchester's Institute of Science and Technology and by the Salford University Industry Centre.

Worldwide interest has been shown in the scheme and Simchem was selected from more than 20 companies, including several based in the U.S. and Europe, who approached the Council.

Raw municipal rubbish contains about 30 per cent organic material which has to be separated from non-organic waste such as metals and glass. It can then be converted into oil with the help of a solvent and nickel catalyst. The advantage of the GMC's process is that no other feed material is needed.

● BRITAIN has agreed a joint contingency plan with Norway to combat oil spills in the North Sea. It would be brought into operation in the event of spillage 50 miles either side of the median line dividing the countries' continental shelves.

● MR NEIL KINNOCK, leading candidate in Labour's leadership election, urged the Government last night to set up an independent inquiry into the best use of Britain's remaining North Sea oil resources. Mrs Thatcher's policy of squandering oil resources had brought Britain to the brink of a new economic disaster, he claimed.

● HARLEY DAVIDSON, the U.S. motorcycle maker, has held exploratory talks in the UK on the possibility of reopening the failed co-operative venture which manufactured the Triumph motorcycle. Harley Davidson is at present talking to Japanese manufacturers about loan guarantees to help the company bring forward a new range of products.

● DELAYS are feared in the completion of a second and final report for the Department of Trade and Industry on investor protection. Drafting of a key passage on the regulation of life insurance companies and the intermediaries which sell their products has run into difficulties with the European Community. It is understood that an original draft has been judged to be illegal in terms of EEC legislation.

● LONDON INSURANCE brokers Stewart Wrightson (Aviation) paid \$28.8m to Korean Airlines yesterday for the loss of the jumbo jet shot down by the Soviet Union two weeks ago. The payment was made against the airline's war risk insurance and represents 78.6 per cent of the risk which was insured by Stewart Wrightson with underwriters.

● THE NEWSPAPER SOCIETY, the publishers' association, has decided to study specific ways in which the qualities of the traditionally paid-for press can be enhanced through combined promotion with free newspapers. There are now about 550 free newspapers and 248 are published by members of the Society.

SOCIAL DEMOCRATIC PARTY CONFERENCE

Unions 'prepared to consider reforms'

BY IVOR OWEN

THE SOCIAL Democratic Party (SDP) is claiming success in persuading trade union leaders to consider the party's proposals for reforming labour legislation.

Mrs Shirley Williams, the party's president, told the SDP conference yesterday at Salford, Lancashire, that a positive response had been received from 15 trade unions. It was welcomed by delegates as a significant achievement. She did not name the unions but they are understood to include the engineering workers, civil servants and local government workers.

She said that these unions were not about to break their links with the Labour Party but had indicated their willingness to put to their respective executives the SDP's proposals for modernising and strengthening trade union practices.

Mrs Williams welcomed the events at Blackpool last week when a majority of moderate union leaders were elected to the TUC General Council.

She declared: "The historic turning point in the political structure of our country was that, a very sizeable and growing number of trade unionists started to respond to the wishes of their members. They are shaking off the bonds that bind them exclusively to the Labour Party."

Mrs Williams claimed that the great majority of trade union members had "rumbled" Labour. They voted SDP, Liberal or even Conservative.

She said it was not only the trade unions who needed to loosen their links with a single political party.

Many Social Democrats were involved in every level of industry, some holding senior posts, and she looked to the CBI to find ways of talking to other parties in the political spectrum.

Mrs Williams said there was a need to develop an incomes policy with wider implications for the private sector than seemed to be envisaged by Dr David Owen, the party leader, when he made his keynote speech 24 hours earlier.

She believed that responsible trade union leaders would want to



Mrs Shirley Williams

discuss an incomes policy which reflected the need to ensure that bargaining muscle was not used in a way which resulted in the unemployed having to take second place to inflationary wage settlements.

Mrs Williams emphasised: "It is no good to talk about an incomes policy if what one means by that is that the dividends of restraint go entirely to shareholders."

She also advocated the introduction of flexible work patterns which would enable an Alliance government to guarantee a core of paid employment for every man and woman in Britain who wanted to work.

They would be given the opportunity to undertake paid employment for 15 to 20 hours a week and be entitled to unemployment benefit to supplement their part-time earnings.

Mrs Williams suggested that there was great scope for creating the new jobs needed to implement such a guarantee. She cited renewal of roads, sewers and other essential services, as examples.

The recasting of Britain could be undertaken at the same time as the work needed to complete the electrification of the railway system.

SDP likely to eclipse Labour, says Shore

BY KEVIN BROWN

MR PETER SHORE, Shadow Chancellor of the Exchequer and candidate in the Labour Party leadership election, gave a clear warning yesterday that he believes Labour is in danger of being eclipsed as the main opposition party by the SDP.

In a gloomy speech to party workers in Dudley, Mr Shore warned that Labour would be finished unless squabbling in the party was stopped.

He pinned the blame for Labour's disarray firmly on the "Maoist Red Book excesses" of the "cultural revolution" of 1979 to 1981, when the Left secured major changes in the party constitution.

Mr Shore's speech was largely a response to the exposition of the meaning of social democracy by Dr David Owen, SDP leader, at that party's conference in Salford.

Mr Shore said Labour could no longer have any illusions about Dr Owen's strategy, which was to maintain the SDP's independence in the hope that it would attract another substantial defection of Labour MPs.

His warning of impending doom and uncompromising attacks on the Left will increase his reputation for straight talking. But they are unlikely to resuscitate his flagging leadership campaign, in which he trails well behind Mr Neil Kinnock and Mr Roy Hattersley.

Mr Shore said Labour must categorically reject "the defeatist Marxist/Leninist doctrines and their advocates, who insist either that romantic socialism is morally superior to our own democracy, or that non-violence, not persuasion and reason, offer the only path to socialist success."

"He urged the party to face and overcome the obstacles to power 'not only in hostile institutions at home and abroad, but in our own ranks as well'."

Labour's traditional message would win back the 3.5m voters who turned to the SDP in the general election, and "confound and defeat the evil, neurotic and misguided but highly vocal minorities whom we have, to our great loss, recruited," he said.

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UK NEWS

Decision soon on 'short and broad' warships design

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE GOVERNMENT is expected to decide within the next few weeks whether to finance further development of a controversial new warship design.

The design, known as the S90, is for a warship which would be short and broad, compared to the long, slim lines of traditional warships. It has been proposed by private ship designers, Thornycroft Giles and Associates, as an alternative to the Type 23 frigate.

Mr Geoffrey Pattie, Minister of State in charge of Defence Procurement, and Admiral Sir Lindsay Bryson, Controller of the Navy, watched a demonstration of a scale model of the S90 hull design in Portsmouth harbour on Monday, during the Royal Navy Equipment Exhibition.

The immediate future of the S90 design is likely to be determined following a key Ministry of Defence meeting to be held tomorrow. Under the chairmanship of Mr Ian Stewart, junior minister in charge of warship building, naval procurement and operational staff will assess independent tests which have been carried out on the S90 over the past few months.

Ministers will consider their findings - and the replies given to their questions by Thornycroft Giles who will be present - and decide whether to sign a £1.5m-£2m contract for further definition of the S90 project.

The S90 concept has provoked considerable hostility in the navy, where it is criticised for its sea-keeping qualities in particular.

Mr David Giles, director of Thornycroft Giles, maintained yesterday that extensive tests over the past few months had validated his company's claims for the vessel. The performance of scale models of a traditional Leander frigate and the S90 were compared in the tests.

The MoD agreed to study the S90 design about a year ago as a possible alternative to the Type 23. But confusion now concerns its possible future following remarks at the equipment exhibition at the weekend by Admiral Bryson.

The Admiral, who is in charge of the navy's equipment programme, said the Type 23 frigate, which has been designed along traditional lines and is to cost at least £100m a ship, is to go ahead. The first order of "at least eight" would be placed next year, he said. This would seem to rule out the S90 as a possible alternative.

However, Admiral Bryson also said the navy was considering building smaller warships, somewhere between the size of frigate and a coastal patrol craft, in an effort to keep up the number of ships in the navy and to take account of financial constraints. The short, broad concept could be among those considered for this new type of warship, he said.

The Admiral believes the move towards smaller ships is an indication of the Navy's flexibility, and takes account of lessons learned last year during the Falklands war. He has also indicated that a further factor is the possibility of overseas sales. It is nearly 15 years since Britain exported a new warship.

Time running out for Ulster informers

BY BRENDAN KEENAN IN BELFAST

ULSTER security forces are engaged in what may turn out to be a race against time in their use of the controversial "supergrass" technique. The question is whether the police can smash the morale and organisation of paramilitary groups before legal, political and even moral pressures curtail the use of supergrasses (informers).

So far, the Royal Ulster Constabulary (RUC) seems to be well ahead. About 300 people are in custody as a result of information from more than 20 supergrasses. The organisation of the Protestant paramilitary Ulster Volunteer Force has virtually been smashed, while the chairman and political spokesman of the Ulster Defence Association are on bail on firearms charges.

One of the strongest advocates of the use of supergrasses is Sir John Hermon, the RUC chief constable. Sir John calls them "converted terrorists", and argued in his annual report last March that their emergence was a healthy trend from which Northern Ireland had benefited immeasurably.

It is easy to see why the issue is so important to the police. The information not only leads to convictions, but provides invaluable intelligence information about the methods and personnel of paramilitary groups. More to the point, it has had a catastrophic effect on their morale.

The Irish Republican Army (IRA) has always fed on the legend that its members rarely broke ranks and that those who did would be pursued to the ends of the earth. Many people have been killed just on suspicion of giving information. Now, it seems, informers are everywhere.

And they are coming from all levels of the organisation. The RUC now believe they have an informant who was a senior member of the

IRA for at least the last three years, and who can lead them to the leaders of the organisation - the men who rarely carry a gun and never plant a bomb.

One explanation given for the rising number of informers, is the apparently endless nature of the Ulster troubles. Many of those who have turned Queen's evidence have already spent time in prison. Under Northern Ireland's 50 per cent remission system, they faced serving the rest of their sentence before beginning any fresh sentence which the courts might impose for their subsequent offences.

As against that, the police can offer a new identity, protection, and a home for the informant and his family in a secret location. There are also persistent reports that large sums of money are offered, but the RUC denies this.

There is reliable evidence that RUC officers are now on the lookout for likely supergrasses who might be persuaded to give evidence.

Once they find one, an extraordinary sequence of events begins. The informant's family and belongings are taken into police protection to stop them being held as hostages.

In Castlereagh interrogation centre, Belfast, the informant confronts each of those against whom he has made allegations.

RUC detectives, who are now among the most experienced inter-

rogators in Europe, quiz him for every scrap of useful intelligence. Afterwards, he stays under police protection in a secret hideout.

Such goings-on are bound to produce unease. Fr Dennis Faul, a veteran civil liberties campaigner, talks about the damage done to close-knit Catholic communities, where the families of informants become the object of hostility from the families of those they have named. The political effects are harder to quantify - although protests about the use of supergrasses are increasing.

The Catholic and Protestant Bishops of Londonderry have issued a joint statement criticising the supergrass system. Lord Gifford, the civil liberties campaigner, is to conduct an unofficial inquiry and the Labour MP, Mr Martin Flannery, has joined in the criticisms.

Sinn Féin, the political wing of the IRA, is organising demonstrations against what it calls "show trials", and even Mr Ian Paisley, the Protestant leader, has complained.

For Loyalists, the main worry is that the supergrass technique gives immunity to people who may have committed serious terrorist crimes.

Lawyers themselves are worried about the value to be placed on the evidence of accomplices who have the incentive of a new home and a new identity far from the revenge of their ex-colleagues. Terrorist

cases are heard in Northern Ireland without a jury, and judges must "warn themselves," as they would a jury, about the dangers of such evidence.

At the moment, judges seem prepared to accept the role of the informant. The RUC were particularly pleased by a case earlier this year, when 14 men were convicted on charges relating to Ulster Volunteer Force activity on the evidence of an informant, Joseph Bennett. More recently most of the 32 people charged with IRA offences on the word of Christopher Black were convicted.

The emergence of Sinn Féin as an electoral force means the main nationalist party, the Social Democratic and Labour Party (SDLP), is less vulnerable to Republican pressure and so far it has stayed out of the supergrass argument. If the system becomes genuinely unpopular, however, it would be forced to intervene.

The biggest danger might be to the tentative steps being taken by the Irish judiciary to extradite terrorist suspects across the border. The judges might be wary of such action where supergrasses are involved.

The argument between means and ends has been central to Ulster security policy for more than a decade. Internment had the advantage of leaving the legal system untouched, but proved a political impossibility. The "deep interroga-

tion" techniques in the mid-1970s gave rise to straightforward police brutality.

Now the supergrasses could threaten the reputation and integrity of the courts. The use of bills of indictment to avoid the need for preliminary inquiries has already been criticised on those grounds.

RUC officers argue that informants are an acknowledged part of the fight against crime in other countries. They point to the use of grand juries in the U.S. against the Mafia, and the Italian campaign against the Red Brigades. Liberal opinion in Britain, they feel, does not appreciate the difficulty of fighting organised subversion, as distinct from criminal behaviour.

"We are putting the right people away," says a government official, defending the supergrass policy.

There is tentative evidence for his assertion in the security statistics, which show a marked drop in deaths and injuries. In the first six months of this year, 29 people were killed, as compared with 97 in the whole of last year. This year, 184 people have been injured, compared to 525 during 1982.

The greatest advantage of informants could be the effect they have on recruiting a new generation of activists. A cherished myth has been destroyed and, besides, who wants to join an organisation where one's comrade on a mission may end up giving evidence against one in the dock?

The stakes are high. A senior policeman spoke of the prospect of making it impossible for paramilitary organisations to function. It has always seemed a pipe-dream until now, and those who oppose the use of supergrasses will have to explain how else it could be done.

Unionist criticises mission to U.S.

By Our Belfast Correspondent

A MISSION from Northern Ireland which is due in the U.S. next week to seek industrial investment ran into unwelcome controversy yesterday.

Mr James Molynaux MP, leader of the Official Unionist Party, said the all-party label attached to the mission was "bogus" because neither he nor the party was formally invited.

He claimed that while the Rev Ian Paisley, leader of the Democratic Unionist Party, and Mr John Hume, leader of the mainly Roman Catholic Social Democratic and Labour Party, were asked to join the trip, the Official Unionist "representative" had been invited in a personal capacity to deal with terrorism matters.

Mr Paisley and Mr Hume are taking a political risk by agreeing to appear together in the U.S. It is likely they will face tough questioning about their failure to reach a political accommodation, when they are in Washington on Monday.

The non-government mission includes bankers, academics, trade unionists and industrialists as well as the representatives of the four main parties.

Prof Desmond Rea, the group secretary, said no disrespect was meant towards Mr Molynaux or Mr Oliver Napier, leader of the non-sectarian Alliance Party, neither of whom were invited.

He said the politicians were asked on a personal and individual basis, taking account of their party affiliations and the geographical areas they represented.

Seal campaigners plan Canadian fish boycott

FINANCIAL TIMES REPORTER

IMPORTERS of Canadian fish products, salmon and white fish, are being threatened by plans to organise a boycott of their branded products.

The threat comes from the Seal Protection Group (UK), a lobby associated with the International Fund for Animal Welfare, a conservation body.

The campaign for a boycott will be backed by a \$1m advertising programme in national newspapers, including the Daily Mirror and Daily Mail. This will focus attention on the Canadian seal cull in March each year.

A two-year EEC ban on the import of baby seal skins to Europe,

which has damaged Canadian exports, ends in 1985. The SPG is seeking further protection after that date.

The International welfare fund intends to extend the boycott to the U.S. consumer market if there is a Canadian seal cull next March.

In the past seven days UK importers of Canadian fish products have been sent postcards by fund members pleading their support of a boycott.

Nine leading UK importers are: Ross Foods, Birds Eye, Walls S & W, Berriford (Foods), Young's Seafood, John West Foods, Princes Foods, Flinders UK, B & A Britton, and Clouston Foods.

LancerBoss finds an ideal partner

BY PETER BRUCE

IT TOOK about two years of serious courting for LancerBoss to bring home a bride. Looking back over that time, it could be described as romantic skirmishes with Fenwick and Matral Saxby in France, Coventry Climax in the UK and parts of Eaton in the U.S., the takeover of Germany's Steinbock, announced yesterday, seems oddly appropriate.

In a highly fragmented industry, fronted by at least 12 major producers, all of which are in deep trouble, it was not difficult to ignore Steinbock as a possible partner for LancerBoss, whose specialist lift trucks have enabled it to work through the recession with one of the strongest balance sheets in the industry.

Steinbock, ranked about 25th in world lift truck sales, with a turnover last year of about DM 140m, has been overextended for years. Borrowings amounted to DM 55m at the time of the takeover, representing a gearing of about 300 per cent. It had built up a reputation for leading price cutting in Germany, Europe's biggest market.

The Bavarian government, convinced that the company had a limited amount of time left in business, had begun to despair of the political implications of about 1,100 people losing their jobs.

At the first approach, in April this year, LancerBoss was turned away, but it was when Steinbock and its bankers, including Hypo-Bank and Amex, took time during the slack holiday period to try to project activity for the second half of the year that the banks dug in their heels.

Mr Neville Bowman-Shaw, LancerBoss chairman, found himself in the enviable position of being offered a manufacturer on the sort of terms that he, as one of the early prophets of worldwide lift truck rationalisation, used two years ago to illustrate the perfect deal.

Steinbock had already drawn up a "social plan" under which the 1,100 personnel at its two plants would be reduced to 840; the German producer makes precisely the range of small to medium-sized lift trucks that LancerBoss wanted to complement its own heavy, specialist products, and he had the support of government at the receiving end - in this case the Bavarian authorities.

Mr Bowman-Shaw, who believes, along with many others in the in-

dustry, that the world has the capacity to produce about twice as many lift trucks as it needs, is certain to take Steinbock's rationalisation even further. The smaller of the two Steinbock plants, at Roding, near the Czech border, will go, with some production being transferred to the main plant at Moosberg, conveniently sited close to Munich's international airport.

The biggest transfer of production, however, will probably involve the LancerBoss plant at Leighton Buzzard, Bedfordshire, picking up the heavier end of the Steinbock range, probably trucks of more than 4 tons. Mr Bowman-Shaw made it clear yesterday that he wanted no duplication of production.

Whether Mr Bowman-Shaw will be able to turn Steinbock around by the second quarter of next year depends entirely on the state of the market. Steinbock's order book is now more healthy than it was in 1979, before the West German market, the biggest in Europe, plunged 26 per cent in volume in 1981 and a further 26 per cent last year.

But Steinbock, the third biggest German producer behind Linde and Jungheinrich, owes its present order position to a single client, the West German army. LancerBoss is clearly laying great store by the military order, for well over 100 vehicles, leading to others from Nato.

The West German market as a whole is beginning to pick up from the low of 11,500 units sold last year, but recovery is expected to be slow, and with about 26 manufacturers, on average, reckoned to be competing for each order in Europe, margins are likely to remain precariously slim.

The rest of Europe shows precious little sign of recovery. The UK market, which picked up about 15 per cent in volume in 1982 over 1981, has not moved at all this year according to one leading producer. The French market, which also showed signs of recovery last year, has fallen back again this year.

The purchase of Steinbock is probably the clearest indication yet of the scale of retreat in the lift truck industry. More numerous signals have, however, come this year from the U.S., where Eaton Corporation has tried, with partial success, to remove itself from the industry.

FOCUS ON SOUTH AFRICAN COMMERCE AND INDUSTRY

Sage Group — strong international links and investment expertise

BY RICHARD ROLFE

In a further part of the series on South African commerce and industry, Richard Rolfe, editor of Finance Week, interviews Mr. Louis Shill, chairman and managing director of the Sage Holdings Group.

Rolfe: What are the main South African activities of the Sage Group?

Shill: I would describe Sage as a diversified and rather unique financial services organisation. We started off in the investment management field in the heyday of mutual funds in the late 1960s, formed our holding company, Sage Holdings, in mid-1969 and then diversified into allied types of activities, the most important being life assurance and personal financial planning and property investment.

We developed the first independent personal financial planning company in South Africa, EPS. That company serves both individuals and corporations in the course of analysing personal financial planning needs and providing totally independent and unbiased advice to clients.

It followed naturally from considering financial needs to becoming substantially involved in property and we invested directly into property, both in the traditional sense and in the housing area. We are also very heavily involved in the management of property trusts. Residential property in itself is closely allied to our homebuilding activity, which one might call the fourth arm of our organisation. We are probably the largest individual home builders in South Africa. We find it forms an interesting and logical part of a financial services organisation.

Our group is therefore committed to these four arms: but is, nevertheless, expanding its interests into unquoted securities. Our Union & London company takes typical investment banking participation in order to bring us into other fields without necessarily involving certain control. We offer insurance, securities management and financial planning, but are not involved in the actual operations of the company. We have built up an interesting portfolio and have concentrated on expanding beyond our basic four activities through Union & London.

Rolfe: In what way is your group structure unique?

Shill: In that we haven't developed from one basic form of institution. A number of our activities are natural extensions of other institutions, whether they stem from banking or insurance etc. In our case, starting out as an investment holding company and moving on into financial services, we feel that made those operations a lot more independent of any one medium or institution, or even of each other. Particularly in the method in which we market our services we have found that independence ensures a lot less bias and as a result a better service to our clients overall.

Rolfe: What is the rationale behind linking housing and financial services?

Shill: With all our financial services, we tend to be dealing with the client and his security, and the security of a home is probably primary in the minds of every individual and family. Beyond that, being in financial services, we are inevitably involved in

providing finance, and a home is not just bricks and mortar any more. You have to provide a fairly sophisticated form of financing at different times in order to make it consistently possible for people to invest in homes. Our structure allows us to raise the money at the right time and build the home, usually on our own land.

We sometimes have the entire circle, starting from the client who wants personal financial advice, who needs a life assurance policy or a building society investment. The client is advised, depending on the needs of his portfolio, as to whether he should go into a building society. Invariably, there is likely to be a natural link with the building society which provides the funds to build a home through our home building company. So the circle is pretty well complete within our own group of companies.

Rolfe: What proportion of your asset base is invested in property?

Shill: Of the R300 million total asset structure in our consolidated balance sheet approximately 25% would be represented in property, more or less R80 million. That figure would include the direct and property trust holdings of our assurance company Ned Equity Insurance, our direct interests in property and of course, holdings of our land company, which is allied to the Schachtel home building organisation.

You could extend that definition somewhat by including the underlying property values in important investments which we hold. For example, if you take into account our holding in the Union Group, and its own holding in the Union Group, which has now been converted into the Standard Bank Property Fund our indirect holding would be approximately 12% of that fund which in itself represents another approximate R25 million in property assets. That definition would then extend our holding to more than one third of our total consolidated assets.

You could also define our property exposure more widely by relating to the total assets under our control in management. We presently have approximately R800 million of assets under our control and approximately R500 million of that figure would be represented by property, nearly 60% of the total.

Rolfe: What are your main international connections?

Shill: We have international connections in virtually all of our activities. If you look at our operating divisions and particularly our investment activities, we have a number of important international connections eg those related to the portfolio of Sage Fund, where we have approximately R12 million invested into foreign securities.

We are in daily touch with investment organisations, including brokerage houses and investment bankers, in many parts of the world and more particularly in the United States. We have a number of other connections in the Union & London organisation which, as you know, is our investment banking group. Firstly, we have important overseas shareholders in the Electro House Group of the U.K., which holds approximately 10% of the issued capital of Union & London. As such, we keep close in touch with them and we also try to maintain ties with their other affiliates around the world, for example the Oppenheimer Group of the U.S.A.

In our portfolio we have a number of investments with strong overseas affiliations. These include the worldwide Hertz car hire organisation, which franchise we control jointly with other parties in South Africa. There is also the International Cosmetics company which represents the Gilane group of France and Max Factor group of America. Then there is the SAK organisation which holds the franchise in South Africa for Encyclopaedia Britannica and other international communications products. Even in the motor field, we have interests in franchises representing certain European and Japanese vehicles.

At Leo Computers, our computer organisation, we have a number of ties in representative and other capacities with international computer manufacturers. In our property trusts we have a large number of individual foreign unit holders. From a taxation point of view, it is far more advantageous for foreign investors to be invested into property trusts where they are basically subject to a withholding tax only instead of normal taxation which is payable in the case of a direct property holding.

In the insurance category we are closely related to the Nationale Nederlanden Group of Holland. We manage Ned Equity Insurance, but its equity is joint-



Mr. Louis Shill, chairman and managing director, Sage Holdings Group.

ly controlled between Nationale Nederlanden and ourselves. This Dutch group is one of the largest insurers in Europe today and one of the worldwide majors. It is, of course, advantageous to have international insurance ramifications as insurance should never be confined to the boundaries of any one country.

In the financial planning field we operate our own office in the United States in a subsidiary named Finplan of America Incorporated. That office is based in Dallas, Texas and has extended its financial planning activities recently into life assurance broking in specialised fields. We are also very closely associated with the Nulbank Group of South Africa which has a number of international branches and representative offices. These in themselves give us connections abroad.

Rolfe: What plans do you have either to expand internationally or in South Africa with foreign partners?

Shill: We have for four or five years been investigating possible expansion opportunities either in the United States or the U.K. We see these developments in the areas of insurance, financial planning or property and are presently investigating a number of proposals in the first two categories in particular. Given the opportunity we would also expand our investment portfolios.

Rolfe: You are unique among South African institutions in holding a portfolio of U.S. securities. How has it performed?

Shill: We are delighted with the performance of our foreign portfolio. We were originally given the opportunity to invest approximately R2.5 million abroad, that would be about 10 years ago, and the present value of the portfolio is approximately R12 million. One must also bear in mind that in terms of regulations, we have had to repatriate all income from the portfolio so that the accrual in value is directly attributable to capital improvement.

If South African institutions are given the go-ahead for investment abroad, I have no doubt that most progressive institutions will take advantage of that relaxation. However, I believe that they would enter foreign markets very cautiously and gain the experience necessary to deal with the great variety of different circumstances which obtain abroad. These include knowing which advisors are reliable, having a good grasp of the foreign exchange implications, and being able to judge the economies of various countries.

One of the unfortunate aspects of the possibilities for investing abroad is that it is most unlikely that we would be allowed to borrow abroad on a back-to-back basis to afford our portfolios some foreign currency protection.



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D. Benson, Daily Express 1.3.83

"Equipped to be a world beater." Financial Times Headline 31.1.83

"The Maestro is the most innovative 'everyday' car since the Mini 23 years ago."

Michael Kemp, Daily Mail 1.3.83

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What Car? June 1983

"Right through the car the engineering is excellent - often superb."

Mel Nichols, Sunday Express Mag. 27.2.83

"...There is no other car in this class I prefer to the Maestro...It offers style and driving satisfaction...the epitome of low-cost enjoyable 1983 transport"

Frederic Manby, Yorkshire Post 15.4.83

"Maestro a Winner. Success will save jobs"

Daily Star Headline 2.3.83

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Drive Magazine April '83

"It outshines the competition in style, economy, roominess and price and outstrips the field in advanced technology."

Car Choice April '83

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"Magnificent"

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"It's a joy to drive"

Patrick Mennem, Daily Mirror 1.3.83

"The Austin Maestro is aptly named. It is a great composition of the latest advanced technology - and is going to play havoc with all its competitors. It beats them all on petrol economy, interior dimensions, equipment, innovative new features and price."

Leslie Driver, Sheffield Star 1.3.83

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

IT'S THE chairman who clears your plate following lunch at Turner and Newall these days. The formal waitress service in executive dining rooms has been scrapped. Lunch is strictly a self-service affair, which means that guests are now courteously served by the nearest board member.

But the changes which have been made at Turner and Newall in the last year are more than just cosmetic. Only 11 months ago, its bankers were in talks with the Bank of England on methods for averting the company's collapse. Tomorrow, the Manchester-based company should report a surprisingly healthy return to profit.

T & N, still the largest producer of asbestos-based products in Britain, still faces very severe problems. Even so, its past year proves that a huge UK group teetering on the edge of disaster can at least be pulled back from the brink.

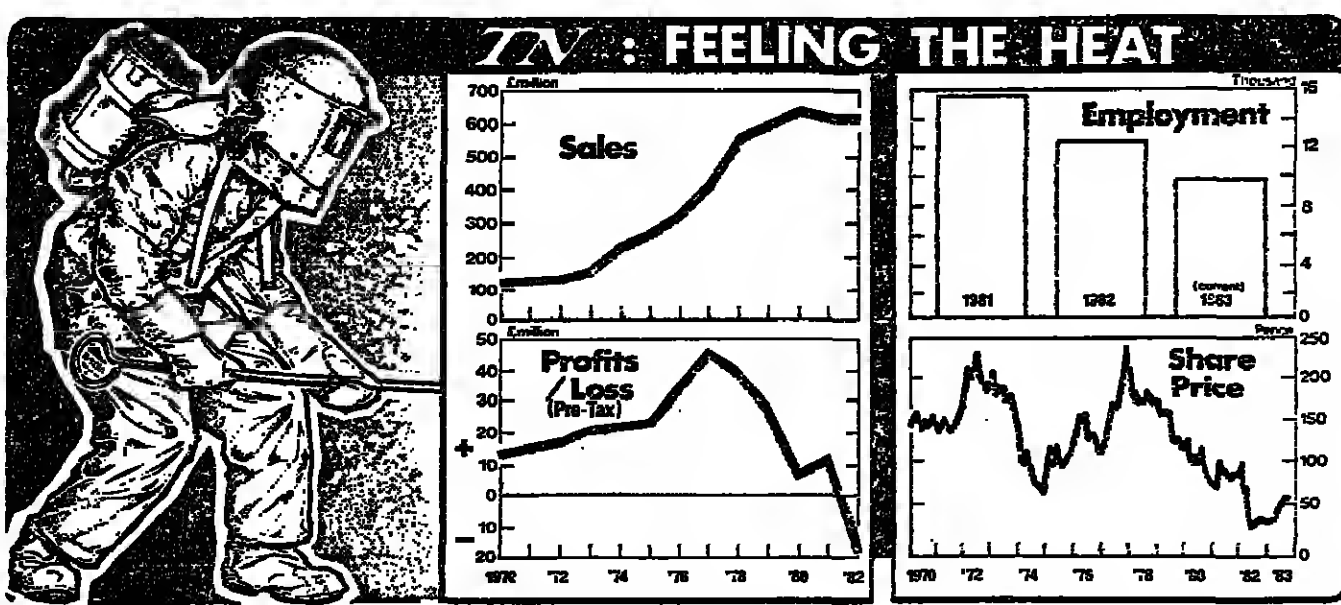
T & N was in danger of toppling over for two reasons. First, its substantial borrowings were producing interest charges which sluggish trading profits simply could not meet. Second, and this gave bankers even weaker knees, was the fear of growing claims for compensation from former UK and US workers who had contracted mesothelioma, a deadly form of cancer, or asbestosis, a painful lung disease, caused by breathing asbestos dust.

These two factors helped to push T & N's share price to a low of 23p last summer, giving the company with £800m in sales a market value of about an eighth of its net worth. Customers, suppliers, and employees right up to board level began to lose confidence. Efforts to sell Ferodo, the company's well-known but heavily depressed brake pad company, undercut confidence further. Markets for T & N's wide range of industrial products—from gaskets to fireproof textiles—seemed to be slowly melting away.

By October, a major supplier refused to grant the group any more credit and insisted on cash. The steamroller which has flattened bigger names than Turner & Newall looked like beginning to roll.

It is understood that a group representing the 18 banks—collectively owed more than £100m—approached the Bank of England around this time for help. "The situation was that the banks were not prepared to continue lending and did not see the company getting out of its strait-jacket," says one executive close to the negotiations.

Lord Benson, at that time an advisor to the Bank's govern-



While T & N is noted for its fire-proof materials its performance has shown little spark in recent years. Its future now lies in non-asbestos products.



Sir Francis Tombs: "Well placed in the recovery ward."

Self-service at Turner & Newall

Carla Rapoport describes how the UK industrial products group, which a year ago plunged into heavy losses, was brought back from the brink of collapse

nors on industrial matters, agreed with the banks that a change in top management was necessary. Stephen Gibbs, the group's 62-year-old chairman was not moving fast enough to correct the group's troubles. Capable managers underneath him were also thought unsuitable for promotion because of their association with the group's dismal image in the City.

Lord Benson's choice for the job was Sir Francis Tombs, then still working on getting The Weir Group to rights. Sir Francis, a former chairman of the Electricity Council, was meant to spend a limited time as chairman of the troubled Scottish engineering group and ultimately hand back the job to Lord Weir.

A friendly man who isn't afraid of a good fight, Sir Francis, 59, warmed to the new offer swiftly. He negotiated with T & N's bankers one of the most impressive compensation packages yet seen in the City and joined T & N in late November. His deal is tied to performance. If Sir Francis can keep T & N shares over 50p for three years, he is set to collect some £540,000 on top of his £80,000 salary. Prudential

Assurance, which holds just under 5 per cent of the group's shares, also tossed in a sweetener in the form of an option on 500,000 shares at around 30p each to be spaced out over the next three years.

"They wanted me to do a job, so I thought they should pay for it," says Sir Francis with a grin. He has reason to smile; within months of his appointment, the shares began steadily to gain in value. They have been comfortably over 50p since the second quarter of this year.

The group's morale and image obviously responded quickly to the arrival of a new face and name at the helm. Given the company's overwhelming dependence on sales to the automotive, construction and engineering businesses, however, Sir Francis's chances for success during the next few years appear less than watertight. Even so, his record with T & N to date is impressive.

There is nothing very sentimental about Sir Francis. Within days of his appointment, he shut up the group's Manchester headquarters and its lavish London offices in Curzon Street. He then proceeded with the sale of the group's stake in Hunt Chemicals, the U.S. specialty chemical group

which had been the remaining jewel in T & N's crown.

"The crown was made of paste," claims Sir Francis. By eliminating the tax charge and the interest saved by disposing of its U.S. borrowings, Sir Francis reckons that the sale of Hunt gave a net gain of £2.3m to the group's profit and loss statement this year.

"I had no addiction to Hunt. It was capital hungry and its management was in the U.S. It was an unfamiliar market to us. Yes, it made money, but in a very exposed market," he says. "We are left in mature industries," he agrees, "but we will be driving cars and building houses in the years to come. These are also low-risk industries. We just haven't been doing very well in them. We have to get better," he says.

Which brings Sir Francis to a topic he isn't shy about—asbestos. Only a year ago, his predecessor spoke of a need to restore the public's faith in the substance. Today, Sir Francis admits freely that the battle is over. "Asbestos concerns are here to stay. It is not our job to convert the public. We have to respond to what the public wants... we have to follow the

marketplace."

A candid nature, however, cannot erase deep-seated problems. Asbestos-based products still account for around half of the group's sales. Although the group is a recognised leader in the field of asbestos replacement, the conservative building and engineering industry has been distinctly wary of the new products.

Asbestos, for all its faults, is a remarkably tough, versatile product. So far, T & N has had to buy or develop a total of nine fibres to do the jobs which asbestos had been doing.

"We've had non-asbestos flat sheets (used in roofing) since 1975, but the pressure from outside was not enough to make contractors change," says Harry Hardie, a T & N board member. Sales of this product are now moving up nicely. But in other areas, T and N has had aggressively to market its new products on the basis of price and performance, as opposed to safety.

Still, Sir Francis insists the group's goal is to halve its use of asbestos in two years. Within five years, it expects non-asbestos products to account for all but 15 per cent of its sales. The worth of this prediction

will be proved when T & N begins to sell non-asbestos corrugated sheets (also used in roofing) to the building industry. The group admits it's a challenge. "Have they stood outside on top of a building for 30 years like the old sheets? We are doing simulated testing but it's up to us to prove they are just as good as the old ones," says Mr R. Somerville, another board member.

As for the claims from former workers, Sir Francis feels that fears have been overblown. Although payments this year will go up slightly, he says that the number of claimants in the UK has stabilised. Stricter safety measures taken in the 1960s and 1970s should mean that the numbers of claims will drop sharply in about 10 years' time, he adds.

In the U.S., action has been taken to speed up settlements and reduce legal costs. The large numbers of American cases, he says, obscure the fact that the vast majority have no substance. One T and N subsidiary in the U.S., Flexitallic, has 1,400 cases against it, has paid more than \$100,000 in legal fees, but has yet to be found liable for a single dollar in damages.

Sir Francis has continued the work of his predecessor on cut-backs and cash control. Employees now number about 9,700 in the UK, compared with around 23,300 in 1979. Significantly, the jobs of both managing director and public relations officer have gone with those cuts, while some four divisional chiefs have been replaced. One cut he does not plan to make, however, is the sale of Ferodo. "We have to stick with what we know," he says.

The new chairman has also instituted a monthly reporting system for all 40 divisional chiefs replacing a cumbersome quarterly system.

"They are powerful mind concentrators," says Sir Francis. The reports are now due nine days after the close of a month. The group's Zimbabwe assets may prove a thornier problem for Sir Francis. T & N has been negotiating for some time with the Zimbabwean Government on methods for selling it some of T & N's equity in its asbestos mines. To Sir Francis's surprise, both sides had been using the same merchant bank. This situation has now been rectified but it is unclear when, if ever, T & N will realise any cash on the deal.

In the meantime, employment at the Zimbabwean mines has been hauled down by 17 per cent and stocks have been reduced from nine months supply to six.

At the Weir Group, Sir Francis had defined goals of reducing borrowing, securing a credit agreement with the group's banks and seeing three consecutive dividend payments made, when these had been achieved, he felt ready to leave. At T & N he has different feelings.

"I'll take the board's view at the end of three years," he says, implying that a positive view would be more than welcome.

Few blame Sir Francis for the downturn recently announced by The Weir Group. Nonetheless, the sobering announcements a few weeks ago of a 40 per cent fall in pre-tax profits for the first six months of 1983 and a halving of Weir's interim dividend has served to remind Sir Francis of the difficulties ahead.

"He doesn't have a magic wand," cautions Martin Bell, the group's respected finance director whose beard has gone from black to grey in the last two years.

Even so, Sir Francis seems positively to thrive on the challenge ahead of him. "Out of the woods? Oh, no," he exclaims. "T & N has lots of problems. Let's just say it is well placed in the recovery ward." It is convalescing nicely.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Shop usage

We are established ethical retailers living over the shop in a very traditional town trading area. With the support of the local council we opposed the opening of an adjacent video parlour.

The case went to appeal and after a public hearing the Minister ruled in favour of the appellant but subject to strict conditions including retaining the shop front, restricted hours of opening, soundproof construction and no gaming machines. The Minister's conditions are gradually being eroded, gaming allowed with council consent, no soundproofing, hours extended. Has the council the right to allow variation of the Minister's conditions or does his ruling have the force of law and should remain inviolate?

When the local council allows variation of the ruling should we appeal to the Minister to enforce his own ruling or must we take other action?

It is up to the Council (as planning authority) to enforce the conditions. You can only press the Council to do so and, if nothing is done, lobby local councillors or mobilise local opinion.

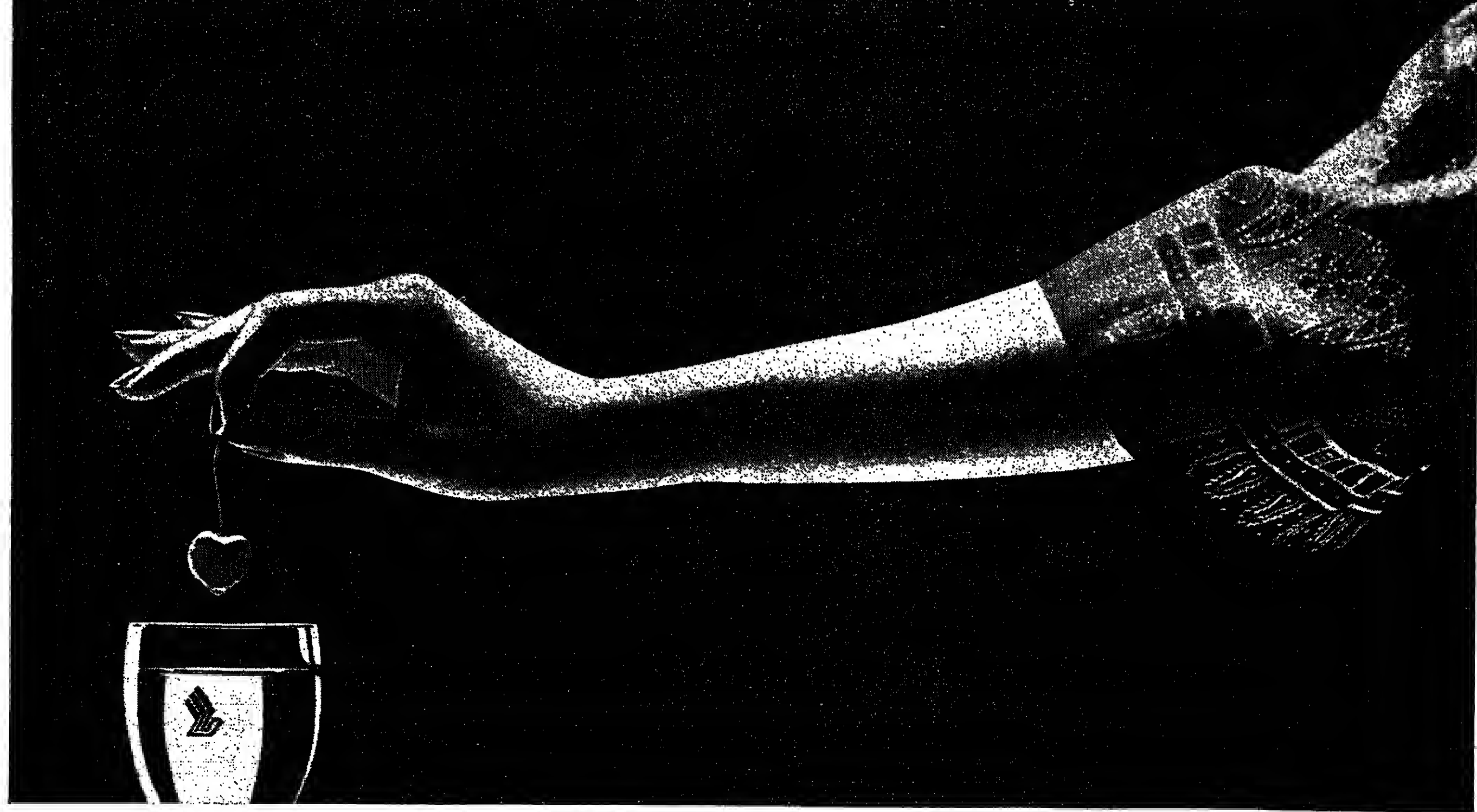
Escrow account

Could you tell me just what is an escrow account? If monies in it are still deemed to be part of the assets of the company in liquidation, which opened it, is there some appropriate action to take?

The term escrow account, although commonly used, is more apt in American jurisdictions than in England where escrow is, technically, used to denote a deed delivered on condition. What matters is that the account is held separately from the general assets of the company and in a form which shows that claims are likely to be made that the money in the account was held by the company on trust. If this were not done and the money were added to the general assets of the company the appropriate course would be to take out a summons in the liquidation for a declaration that the money in question is not part of the general assets.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

ALL TOO SOON IT'LL BE THE DOG EAT DOG OF THE CROWDED MARKETPLACE.



However, for a few, precious hours all that is a long, long way away.

Here, in the privacy of our Business Class cabin, there are no quick decisions to make. Here the only options to be weighed are the choice of food and drink.

Champagne perhaps, or your favourite cocktail.

Lobster Newburg, Grilled Rib Eye Steak or Szechuan Fried Fish. And which liqueur?

It's the most pleasant of dilemmas.

In the meantime, relax in an exclusively designed seat that some airlines would be pleased to call First Class.

Adjust your special stereo headphones, and

choose from eight music channels offering everything from Brahms to Berlioz, as we fix your table cloth of fresh crisp linen and lay out the fine bone china. With our gentle hostesses in sarong kebayas anticipating your needs almost before you ask.

And when you finally take leave of us you'll still be one jump ahead. Priority luggage clearance and

our Premium Accommodation Plan service will have you speeding towards your hotel while most others are still in the terminal.

In today's crowded marketplace we're only too aware that it's very much in our business interest to help you. **SINGAPORE AIRLINES BUSINESS CLASS**

هكذا على الفضل

ENERGY REVIEW

Brazil's oil exploration starts to pay off handsomely

By Andrew Whitley in Rio de Janeiro

WHEN BRAZILIAN officials talk about the reasons for their country's acute balance of payments problems they invariably cite the two oil price "shocks" of 1973-74 and 1979 as a prime cause of present difficulties.

The facts are undeniable: whereas in 1972 crude oil represented 10 per cent of the country's import bill, a decade later it made up over half. What they neglect to mention is that in the five years after the first, great upward leap in oil prices Brazil's domestic oil production actually declined, at a time when consumption was rising significantly.

Only in the last five years have Brazil's hydrocarbon resources been given the attention they deserve. But even in this short span of time the results have been impressive. This year's anticipated average production of crude oil, of 340,000 barrels a day (b/d), is double the output of 1978.

The substitution of imported oil by domestic crude and alternative energy sources has been a top priority for some time now. But it is really only since the onset of the country's foreign exchange liquidity crisis a year ago that recent investments in exploration and production have come into their own.

Every additional barrel produced at present represents a saving of \$25 at today's prices on the import bill, and thus an

BRAZIL'S MAJOR OILFIELDS (Figures in barrels per day)	
1 Carmópolis (Sergipe/offshore)	22,400
2 Garopaba System (Rio de Janeiro/offshore)	18,400
3 Bico de (Rio de Janeiro/offshore)	17,000
4 Pampo (Rio de Janeiro/offshore)	15,900
5 Ubarana (Rio Grande do Norte/offshore)	15,100
6 Namorado (Rio de Janeiro/offshore)	14,600
7 Bonito (Rio de Janeiro/offshore)	14,100
8 Lianquão (Rio de Janeiro/offshore)	13,600
9 Miranga (Bahia/offshore)	11,000
10 Aracá (Bahia/offshore)	10,500

† Indicates on stream in past year.

Source: Petrobras, Ministry of Mines and Energy, Inter-American Development Bank.

equivalent reduction in the foreign loans needed to fund Brazil's current account deficit.

Next year's anticipated drop in imported oil volumes from 650,000 b/d to 500,000 b/d should save the central bank \$1.3bn, according to official estimates.

The greatest increase in oil output has come offshore, where Petrobras, the state oil company, has built up one of the most intensive offshore exploration operations in the world.

The jewel in its crown is the Campos Basin, a 31,000 square kilometre mesozoic structure between 80 and 120 kilometres off the coast of Rio de Janeiro state.

By the end of this year Petrobras says it will have invested \$5.3bn in Campos (excluding interest charges on borrowing) out of a total planned investment of \$10.5bn, when output is expected to be at its peak, of 85,000 b/d.

The investment is beginning to pay off handsomely in terms of a rapidly rising output of a Light (30 to 40 degrees API), virtually sulphur-free crude and a substantial quantity of gas, also piped to the mainland.

At the end of August oil production had risen to 156,400 b/d, 45 per cent of the national total of 347,200 b/d. As its permanent production platforms are installed, over the coming 18 months, production will jump to 1984 average of 211,600 b/d.

The eight producing fields in the Campos basin, all named after Brazilian fish, are grouped into two "poles" to the north and the south for the sake of the collection and transportation pipelines, in water depths ranging between 90 and 250 metres.

In fact, Petrobras claims the world record of 255 metres for the deepest underwater connection and the deepest monobuoy, on its new Corvina Field.

The Brazilian company is pushing onto the fringes of existing offshore oil technology in terms of depth, though not rough water conditions, in the next band that its exploration teams are tackling—beyond 250 metres.

"We don't think we'll discover another field as prolific as Campos," Sr Mauricio Alvares, Petrobras superintendent of production, said. But he added that in the opinion of the company's geologists the section of Campos lying between 300 and 400 metres deep could hold reserves equal in size to those already discovered.

Proven oil reserves in the Campos Basin today stand at 922m barrels. 54 per cent of Brazil's total of 1.3bn barrels; a figure which puts Brazil in fourth place in Latin America, well behind Mexico and Venezuela but close to Argentina.

The Campos rate of discovery has been so good that in the second half of the decade Brazil could overtake its southern

neighbour, and long-standing rival, in terms of proven reserves.

According to Sr Alvares, Petrobras has had an exceptionally high success rate of 29 per cent with wildcat wells drilled in Campos, compared with an international average of 10 per cent. It has attained a reserve figure which it had not expected to reach until January 1985. At the least, that provides assurances for the technical feasibility of the 1985 national production target of 510,000 b/d.

But technical proof is only half the battle, as any oil company in the world knows. The second, and equally important half, is to secure the financial resources. Here the outlook for Petrobras is more cloudy, primarily because of Brazil's dire financial straits.

Last year Petrobras spent \$3.6bn on exploration and production, 41 per cent up on 1981, putting it in the same league as a multinational giant like Mobil.

In contrast, this year spending is expected to drop by 17 per cent, to just under \$3bn. For months Petrobras has waged war with the Planning Ministry in Brasília over its 1983 budget allocation, calculated on the basis of an average 1983 inflation rate of 100 per cent, instead of the likely 170 per cent. Last week it seemed to have secured some grudging concessions, but the final result is still likely to be a substantial cut in its spending. Aggravating the cutback is the fact that access to new loans from the Euromarkets has been closed for the moment.

Last month the first of the permanent production platforms was booked up in Campos, on the Namorado I field. The next ones, on the Enchova, Pampo and Cheme 2 fields will be installed within two months. Then next year, at roughly

quarterly intervals, the remaining four platforms are scheduled to come into operation, altogether handling 130 wells.

Despite the arrival of the permanent platforms, Petrobras says that over three-quarters of Campos' output next year will still be produced through its early production systems, the key to its success in bringing the whole basin on stream so quickly.

At present 40 per cent of Brazil's entire crude production is processed through the early production systems. These consist of a semi-submersible or jack-up drilling rig adapted for use as a mobile platform, subsea or surface Christmas trees for the wells and a moored tanker for storage.

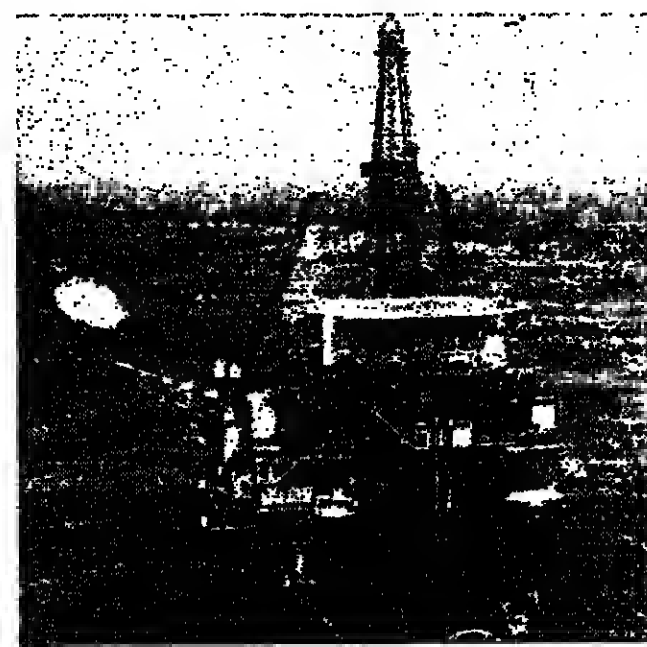
Ten of these systems are already in operation and another two are currently being installed. Plans for a further eight are on the drawing board.

Petrobras is proud of the way it has pushed the established technique of anticipatory systems to new limits, saving \$1.1bn on its imported oil bill in the six years since they were introduced.

Leaving aside the question of hard currency savings, the financial cost of bringing Campos on stream has clearly been high. Petrobras is cagey about the exact figures, but says that production costs alone in Campos are running a little below the national average of \$8 a barrel.

This excludes exploration and financial costs which could double the overall figure. Folha de São Paulo, a leading newspaper, recently claimed that in the overall investment in Campos amounted to \$17 a barrel.

Overstated by the more glamorous development of the Campos Basin further south, oil production on the north-east



The SM-5 drilling rig in the Garopaba Field, which is owned by Tropic Offshore and operated by Petrobras.

coast, both on and offshore, has made a surprisingly strong recovery recently. For this the development by Petrobras of an economical way of producing oil in commercial quantities from small offshore fields in shallow waters must take some of the credit.

Just north of the great bulge of Brazil sticking out into the Atlantic Ocean, Petrobras has planted 51 of its "fixed modular" platforms in waters up to 60 metres deep.

On land, the old fields of Bahia, where oil was first discovered in 1929, and of Sergipe are being revitalised through

secondary and tertiary recovery techniques and the drilling of new wells. Between August and the end of this year Petrobras plans to drill 226 small wells along the coastal strip north of Rio de Janeiro.

The north-east is still responsible for nearly half Brazil's total output, but, as Campos increasingly comes on stream, that percentage will decline.

Foreign oil company participation in the search for oil and gas in Brazil has to date been extensive but notably unsuccessful. Out of 144 risk contracts signed between Petrobras

and foreign companies, only about 80 are still in use and only one consortium, led by Pecten, has struck oil in commercial quantities.

In addition, most of the majors are conducting preliminary seismic studies on a fee basis for Petrobras. Unchartered, but potentially rich in gas, areas such as the Middle and Upper Amazon have been favoured.

Gas reserves proven so far are a modest 750 cubic metres, well below the quantities discovered in neighbouring Colombia and Bolivia.

Production is approaching 12m cubic metres a day, mainly from the north-east coastal region of Bahia, Alagoas and Sergipe. Its most profitable use has been as feedstock for the Camacari petrochemical complex in Bahia State.

Incentives are also being provided to industrial plants to convert to gas as a fuel source in place of imported fuel oil. Output rose by 22 per cent last year but the limited demand has been an impediment to further growth.

For a country desperate for foreign exchange, the really heartening phenomenon has been the rapid development of the Campos Basin. Whatever the cost, the oil is finally gushing fast into the on-shore storage tanks as Petrobras announces almost every week that it has broken a new production record.

Overall output was up 22 per cent in 1982 and will have leapt by another 27 per cent this year. The 1985 estimate of 510,000 b/d is then expected to remain at a plateau for some years to come. Based on what is already known, Petrobras reckons it can maintain output at this rate until the year 2000, seeing Brazil into the early 21st century with a fair measure of self-sufficiency.

OIL PRODUCTION AND CONSUMPTION

Production & Consumption (Figures in thousand barrels per day)

Year	Production	Consumption
1963	99	327
1973	174	766
1978	166	1,031
1979	171	1,105
1980	187	1,095
1981	220	1,016
1982	268	1,018
1983	340*	1,003*
1984	410†	950†
1985	510†	810†

* Estimates. † Forecasts. ‡ Includes derivatives.

Notice of Redemption

Transocean Gulf Oil Company

9% Guaranteed Debentures Due 1985
(Now Gulf Oil Corporation 9% Debentures Due 1985)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of October 15, 1970, under which the above-designated Debentures are issued, \$1,079,000 aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on October 15, 1983 (hereinafter sometimes referred to as the redemption date):

\$1,000 Coupon Debentures Bearing the Prefix Letter M

2	593	1404	2070	3063	3986	4490	5634	10735	11977	12770	14818	15697	16317	17409	18371	18618
6	623	1406	2073	3066	3989	4493	5637	10738	11980	12773	14821	15700	16320	17412	18374	18621
7	632	1417	2084	3077	3990	4494	5638	10739	11981	12774	14822	15701	16321	17413	18375	18622
15	640	1429	2100	3093	3997	4495	5639	10740	11982	12775	14823	15702	16322	17414	18376	18623
20	644	1439	2114	3103	3998	4496	5640	10741	11983	12776	14824	15703	16323	17415	18377	18624
22	645	1441	2116	3105	3999	4497	5641	10742	11984	12777	14825	15704	16324	17416	18378	18625
23	667	1442	2117	3106	3998	4498	5642	10743	11985	12778	14826	15705	16325	17417	18379	18626
29	681	1454	2129	3118	4000	4499	5643	10744	11986	12779	14827	15706	16326	17418	18380	18627
31	682	1455	2130	3119	4001	4500	5644	10745	11987	12780	14828	15707	16327	17419	18381	18628
37	701	1467	2142	3131	4003	4501	5645	10746	11988	12781	14829	15708	16328	17420	18382	18629
38	710	1470	2145	3134	4004	4502	5646	10747	11989	12782	14830	15709	16329	17421	18383	18630
40	711	1471	2146	3135	4005	4503	5647	10748	11990	12783	14831	15710	16330	17422	18384	18631
42	712	1472	2147	3136	4006	4504	5648	10749	11991	12784	14832	15711	16331	17423	18385	18632
43	713	1473	2148	3137	4007	4505	5649	10750	11992	12785	14833	15712	16332	17424	18386	18633
44	714	1474	2149	3138	4008	4506	5650	10751	11993	12786	14834	15713	16333	17425	18387	18634
45	715	1475	2150	3139	4009	4507	5651	10752	11994	12787	14835	15714	16334	17426	18388	18635
46	716	1476	2151	3140	4010	4508	5652	10753	11995	12788	14836	15715	16335	17427	18389	18636
47	717	1477	2152	3141	4011	4509	5653	10754	11996	12789	14837	15716	16336	17428	18390	18637
48	718	1478	2153	3142	4012	4510	5654	10755	11997	12790	14838	15717	16337	17429	18391	18638
49	719	1479	2154	3143	4013	4511	5655	10756	11998	12791	14839	15718	16338	17430	18392	18639
50	720	1480	2155	3144	4014	4512	5656	10757	11999	12792	14840	15719	16339	17431	18393	18640
51	721	1481	2156	3145	4015	4513	5657	10758	12000	12793	14841	15720	16340	17432	18394	18641
52	722	1482	2157	3146	4016	4514	5658	10759	12001	12794	14842	15721	16341	17433	18395	18642
53	723	1483	2158	3147	4017	4515	5659	10760	12002	12795	14843	15722	16342	17434	18396	18643
54	724	1484	2159	3148	4018	4516	5660	10761	12003	12796	14844	15723	16343	17435	18397	18644
55	725	1485	2160	3149	4019	4517	5661	10762	12004	12797	14845	15724	16344	17436	18398	18645
56	726	1486	2161	3150	4020	4518	5662	10763	12005	12798	14846	15725	16345	17437	18399	18646
57	727	1487	2162	3151	4021	4519	5663	10764	12006	12799	14847	15726	16346	17438	18400	18647
58	728	1488	2163	3152	4022	4520	5664	10765	12007	12800	14848	15727	16347	17439	18401	18648
59	729	1489	2164	3153	4023	4521	5665	10766	12008	12801	14849	15728	16348	17440	18402	18649
60	730	1490	2165	3154	4024	4522	5666	10767	12009	12802	14850	15729	16349	17441	18403	18650
61	731	1491	2166	3155	4025	4523	5667	10768	12010	12803	14851	15730	16350	17442	18404	18651
62	732	1492	2167	3156	4026	4524	5668	10769	12011	12804	14852	15731	16351	17443	18405	18652
63	733	1493	2168	3157	4027	4525	5669	10770	12012	12805	14853	15732	16352	17444	18406	18653
64	734	1494	2169	3158	4028	4526	5670	10771	12013	12806	14854	15733	16353	17445	18407	18654
65	735	1495	2170	3159	4029	4527	5671	10772	12014	12807	14855	15734	16354	17446	18408	18655
66	736	1496	2171	3160	4030	4528	5672	10773	12015	12808	14856	15735	16355	17447	18409	18656
67	737	1497	2172	3161	4031	4529	5673	10774	12016	12809	14857	15736	16356	17448	18410	18657
68	738	1498	2173	3162	4032	4530	5674	10775	12017	12810	14858	15737	16357	17449	18411	18658
69	739	1499	2174	3163	4033	4531	5675	10776	12018	12811	14859	15738	16358	17450	18412	18659
70	740	1500	2175	3164	4034	4532	5676	10777	12019	12812	14860	15739	16359	17451	18413	18660
71	741	1501	2176	3165	4035	4533	5677	10778	12020	12813	14861	15740	16360	17452	18414	18661
72	742	1502	2177	3166	4036	4534										

AMERICAN NEWS

U.S. bank deregulation: the battle lines are drawn

By David Lascelles, Banking Correspondent

IT WAS exactly 50 years ago that Congress passed one of the keystones of U.S. banking legislation: the 1933 Glass-Steagall Act. An outgrowth of the Great Depression and the wave of bank failures that followed, the act is typical of most of the laws that control the U.S. banking system: it is highly restrictive (it bars commercial banks from the investment and securities business), and philosophically it reflects the fear and suspicion with which Americans have viewed their banks for generations.

Formidable forces in opposition

But this is not to say that the legislation is assured of safe passage. Rather the opposite. Formidable forces are lining up in opposition. More crucially, there is every reason to believe that the anti-bank sentiment that produced Glass-Steagall in the first place is still alive in Congress; it may even have been sharpened by the LDC debt crisis and the widespread feeling that the U.S. taxpayer will end up bailing the banks out of their follies by lending billions to the IMF.

Some observers even fear that the Administration may have bungled its banking de-

regulation efforts by presenting the Bill at a time when it is more likely to rally the anti-bank lobby than provoke a thorough airing of complex issues. The key figure in the debate is Sen. Jake Garn, chairman of the Senate Banking Committee which will be holding the hearings. A Republican who has launched banking deregulation initiatives of his own in the past, Mr. Garn favours new legislation in principle, but is remaining cautiously non-committal about the specifics of the Administration's bill.

The Administration started the ball rolling last July when it proposed the Financial Institutions Deregulation Act (Fida) — a massive, rambling document which would amend no fewer than nine existing laws with two broad aims: to permit banks to engage in a broader range of businesses not directly associated with banking, and to plug capacious loopholes which currently allow depository institutions which are banks in all but name to escape the rigours of banking supervision.

Insofar as there is any broad strategy to the U.S. banking deregulation drive — and even experts have trouble perceiving it — Fida marks the second stage in which will probably end up being a three-stage process begun under President Carter. The first stage, which culminated in last year's Garn-St. Germain Act, abolished interest rate ceilings on bank accounts and permitted banks to compete freely with investment vehicles like money market funds for the depositor's dollar.

Fida is supposed to tackle the problem of "product deregulation". The third stage, which could still be years away, will deal with "geographical deregulation": the easing or abolition of laws which confine banks to



Federal Reserve chairman Paul Volcker (left) and Sen. Jake Garn, chairman of the Senate Banking Committee.

their home states. But it is a measure of how far Washington has to go that even if the process is fully completed, the U.S. will still have some of the most restrictive banking legislation in the industrialised world. By foreign standards, there is virtually no innovation in U.S. bank deregulation; it is more like a big catch-up.

The impetus for Fida came from several sources. The most frequently cited is the pressing need to adapt U.S. bank law to the huge changes that are sweeping through the financial services industry and blurring the distinction between banks, investment houses and even insurance companies. There are

two problems: defining exactly what a bank is in this brave new world, and allowing the banks a fairer chance against their less heavily regulated competitors without jeopardising their soundness.

But Fida was also a necessary follow-up to Garn-St. Germain. By abolishing interest rate ceilings, that Act may have given banks more freedom but it also pushed up the cost of attracting deposits. The resulting squeeze on bank profits strengthened the case for allowing banks to pursue new and more lucrative lines of business.

According to a recent survey by accountants Arthur Ander-

sco and the Bank Administration Institute, U.S. bank profitability could decline by about 10 per cent during this decade because of intensified competition and the cost of developing new products.

But the survey also showed that bankers would like at this juncture to be able to expand geographically as well as by entering new businesses. This is why many of them feel stages two and three of the deregulation process should be tackled at once. If Fida goes through, it will only benefit those banks who have the resources and know-how to diversify their product range. Those whose best chances lie in opening up branches in other parts of the U.S. could get left behind. But Mr. Garn, who is probably in the best position to know, says there is not enough support in Congress for geographical deregulation, largely because the small banks, who are a powerful grass roots lobby, fear they would be trampled underfoot by a big city bank invasion.

Pressure for reform has also been coming from U.S. bank supervisors, notably the Fed (whose chairman Mr. Paul Volcker will be the opening witness at this week's hearings), the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Aside from their concern about bank profitability, the supervisors want a broader mandate from Congress so as to be able to regulate the new banking industry proper, specifically creatures called "non-bank banks" which have all the attributes of banks but fall outside the supervisors' aegis for technical reasons.

In fact Mr. Volcker is so concerned about the increasingly chaotic state of his regulatory kingdom that he has called for a moratorium on all new business ventures that fall into the

THE KEY PROPOSALS

The Financial Institutions Deregulation Act proposed by the Reagan Administration would allow U.S. banks to engage in a broader range of business activities, more in line with the practice in Europe. But at the same time it would expand the definition of a bank to bring more financial institutions within the compass of bank regulation.

Under its provisions banks would be allowed to:

- Engage in most forms of insurance without restriction.
- Invest in real estate development to the extent of 5 per cent of their capital.
- Amalgamate with a securities firm in order to conduct a limited range of securities business, such as under-

writing municipal bonds, managing mutual funds and brokering securities transactions.

Engage in "services of a financial nature" to be defined by the Fed.

On the regulatory side the Act would:

- Close loopholes that allow some deposit-taking institutions to escape bank regulation.
- Oblige banks to conduct their new business through separate subsidiaries.
- Streamline the regulation process.
- Pre-empt state laws that are more restrictive than federal law.
- Provide for similar changes to the regulation of savings and loan institutions.

grey area. But Mr. Donald Regan, the Treasury Secretary, is opposed because it would remove much of the urgency from Fida.

The major deregulatory provisions of Fida would allow banks to enter about half a dozen specific new lines of business (see box). The major new opportunity is insurance where no restrictions are proposed. Not surprisingly, the insurance industry is gearing up for a big battle to resist this major encroachment. Its main argument is that banks would enjoy an unfair competitive advantage because of their special access to credit. But words will probably be less effective than the formidable lobby of insurance agents who, like the small banks, make up in numbers what they may lack in financial clout. Because of this Congress will almost certainly restrict banks' access to the insurance market.

The provision to enter real estate development is more broadly controversial. The U.S. banks' record in real estate finance is not a happy one, and memories of their ill-starred ventures with real estate investment trusts (REITs) in the early 1970s are still strong. Potential for conflict of interest also exists in cases where banks sell mortgages on property they developed themselves. The Fed is known to be unhappy about this but it appears to have settled for restrictions on the amounts banks can commit. Again, the real estate lobby is giving loud voice to its opposition.

A victory for the Wall Street lobby

The Act also gives the Fed discretion to list further "services of a financial nature" for banks to enter. But though this looks—and is intended by the administration—to be broad, the Fed is expected to read this authority very narrowly because of its primary concern for the safety of the banking system and the belief that "banks are special".

Although the future that greeted Fida would suggest otherwise, its provisions on new business are actually quite modest, and the document is striking above all for what it does not do. For example, it leaves Glass-Steagall virtually intact: all that banks may do in the securities line is affiliate with a securities firm to engage in a limited range of activities, some of which they do already,

like executing investor's buy and sell orders on the stock market.

Basically, the dividing line between commercial and investment banking remains, marking a major victory for the Wall Street lobby. (This has not prevented Wall Street from seeing all sorts of wedge ends in Fida, but Wall Street has always protected its turf with vigour. However, the commercial banks, who would dearly like to see Glass-Steagall go, are grateful for whatever is offered them, and they are doing their best to sink their differences over the proposals in order to get them through.)

Fida may turn out to be more important for its proposed changes to the bank regulatory system because these could profoundly affect the structure of U.S. banking and, as things stand at the moment, are more likely to be enacted. These changes were included as part of the political give-and-take between the White House and officials at the Federal Reserve who were only prepared to back Fida in return for more power.

This was a specially sensitive issue because the Fed was not only losing control of non-bank banks, but had also been threatened this summer with a reduction in its powers by Congress because of its alleged failure to prevent the Third World debt crisis.

Fida casts the Fed firmly in the role of primary overseer and arbiter of the banks' new ventures, though it limits the Fed's time and grounds for objecting to a bank's plans. The Fed's main criteria will be whether a bank's new venture will affect its safety and soundness and the extent to which it will lead to an undesirable concentration of resources. As one Fed official said: "We do not want banks growing to a size where their survival becomes a matter of public policy."

However, no one denies that one of the consequences of Fida will be a shake-out in the financial services industry from which fewer, larger entities will emerge.

The Fed also insisted that banks be required to set up separate subsidiaries to engage in their new business ventures, to guard against conflict of interest and insulate the bank's deposits from the risks associated with diversification. This would also facilitate regulatory equality between, for example,

a bank's insurance subsidiary and a regular insurance company. To make it easier for banks to set up subsidiaries, Fida streamlines procedures for transforming banks into holding companies.

In allowing banks to expand beyond their traditional role, Fida is in danger of adding further confusion to the vexed question, what is a bank? The official definition is an institution that takes deposits and makes commercial loans, and not surprisingly there is already strong temptation for banks to escape that definition simply by taking their commercial loan business and becoming non-bank banks. Fida would put a stop to this by creating a simple but broad definition that covers most even-oddities arising from deregulation: a bank is an institution that qualifies for deposit insurance, in other words virtually any organisation that accepts deposits.

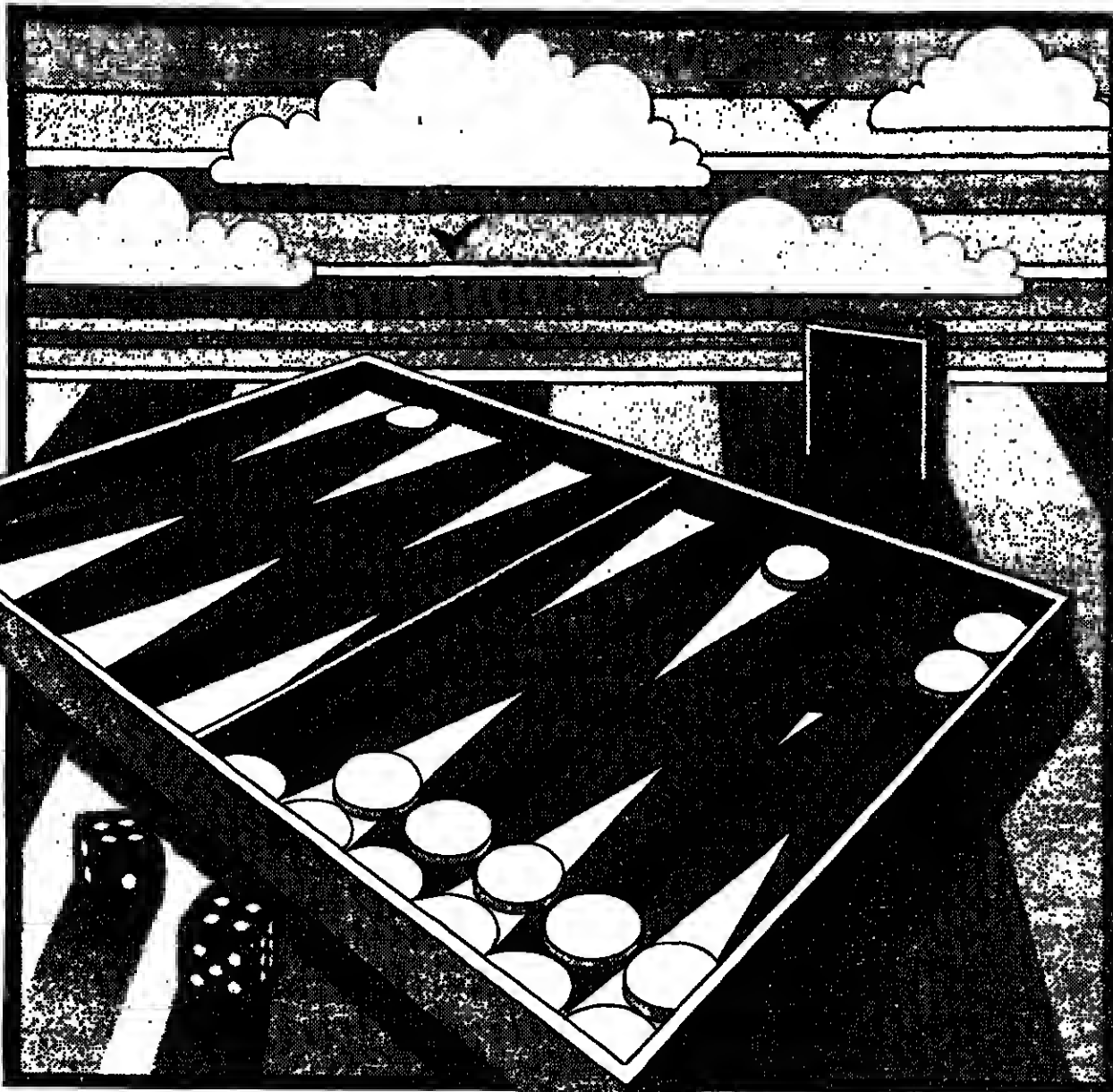
Other provisions in Fida aim to tidy up the tangled discrepancies between federal and state banking law by stating that federal law pre-empt any state laws that are more restrictive, and provide for broadly parallel reform of most even-oddities arising from deregulation: a bank is an institution that qualifies for deposit insurance, in other words virtually any organisation that accepts deposits.

More lenient regime is threatened

States are extremely jealous of their rights anyway, but many are under pressure from their own constituents to be restrictive and keep out change and fresh competition. Others, like South Dakota, are quite the opposite. They want a liberal banking regime to attract business and are racing to see who can deregulate fastest. As for the savings and loans, their own regulatory set-up is already more lenient than the commercial banks' (they were granted broad diversification rights last year), and Fida would actually set them back. The administration's astonishing failure to take this into account has ensured that the S and L's and their regulators to have joined the ranks of the opposition.

The Reagan team did not expect Fida to go sailing through, of course, and it set up a special team in the Cabinet Council on Economic Affairs under Mr. Tim McManis, the Deputy Treasury Secretary, to do the horse-trading. But with Wall Street, the insurance and real estate industries, and the savings and loan lobby lined up against it, the cost of support may simply turn out to be too great. The Reagan Administration as a whole does not consider banking deregulation to be a high priority (though Mr. Reagan is pushing hard) and it may well decide against taking on so many down-home lobbies with major elections only a year away. Senate banking sources predicted last week that Mr. Garn would probably try to mark up legislation to plug the worst loopholes in bank law and leave it at that for the time being. An aide commented: "The feeling is that we've voted \$8.4bn. for the IMF and that we've done quite enough for the banks."

You solve it... White aims to maximise the chances of a hit, and minimise the chances of a gammon or backgammon. Having rolled a double four, what is White's best play now?



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CONTRACTS AND TENDERS

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES

(Ministry for Energy and Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX Puits

(National Company for the Exploration of Oilwells)

NOTICE OF INTERNATIONAL CALL FOR TENDERS

NUMBER 0950/A1

The Entreprise Nationale des Travaux aux Puits is launching an International Call for Tenders for the supply of:

SPARE PARTS FOR M.T.U. ENGINES

TYPES 6V AND 6V - 396TC32 (3 SETS)

This Call for Tenders is intended for Manufacturing Companies only, and excludes amalgamations, representatives of companies and any other intermediaries, in compliance with the provisions of Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the specifications from the following address:

Entreprise Nationale des Travaux aux Puits

2 rue du Capitaine Azzoug

Cote-Rouge, Hussein-Oey, Alger (Algiers), Algeria

Departement Approvisionnement et Transports

(Supplies and Transport Department)

with effect from the date on which this Notice is published. Tenders, of which five (5) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the "Secrétariat du CAT" (Secretariat of the Supplies and Transport Department) at the above address.

The outer envelope should be completely anonymous, bearing no company insignia, and stating simply "APPEL D'OFFRES INTERNATIONAL NUMERO 0950/A1 - CONFIDENTIEL - A NE PAS OUVRIR" (International Call for Tenders Number 0950/A1 - Confidential - Do not open).

Tenders should be sent to arrive by 12.00 hours on Saturday, 8 October 1983, at the very latest.

Selection will be made within 180 days from the closing date of this Call for Tenders.

LEGAL NOTICES

IN THE MATTER OF

DE MONTFORT PAPER COMPANY

AND IN THE MATTER OF

THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the

creditors of the above-named Company,

which is being voluntarily wound up,

are required, on or before the 31st day

of October, 1983, to send in their full

Christian and surnames, their addresses

and descriptions, and particulars of

their debts or claims and the names

and addresses of their Solicitors (if

any) to the undersigned Bankers, at

1 Wardrobe Place, Carter Lane,

London EC4V 5SE, the Joint Liquidator

of the said Company, and if so

required by notice in writing from the

Joint Liquidator, to come in and

prove their debts or claims at such

time and place as shall be specified

in such notice, or in default thereof

they will be excluded from the benefit

of any distribution made before such

debts are proved.

Dated this 7th day of September, 1983.

BRIAN MILLS,

Liquidator.

IN THE MATTER OF

COMPANIES ACT 1948 AND

SPORTSPLA LIMITED

NOTICE IS HEREBY GIVEN Pursuant to

Section 263 of the Companies Act, 1948

that a MEETING of the CREDITORS of

the above-named Company will be held

at the offices of Single & Company,

Chartered Accountants, at 423 Avenue,

Avenue, Harrow, Middlesex on 21

September 1983 at 10.30 a.m. for the

purpose mentioned in Sections 264

and 265 of the said Act.

Dated this 5th day of September 1983.

By Order of the Board,

T. M. BYRNE,

Director.

هكذا حلنا المشكلة

FINANCIAL TIMES SURVEY

Wednesday September 14, 1983

Magnus Oil Field

PRIME MINISTER Margaret Thatcher will today formally inaugurate British Petroleum's £1.3bn Magnus field development project amid all the razzamatazz so beloved of North Sea oilmen.

A satellite stationed 22,300 miles above Gabon and three television personalities will help to ensure that the ceremony, performed in London, also involves dignitaries assembled on the Magnus platform and at BP's Aberdeen base in Dyce.

The complicated links serve to illustrate the sophistication of communications now employed by North Sea operators while the tub thumping is seen by the industry to be appropriate given the significance and ambitious nature of the Magnus project. There will be plenty of superlatives flying about today.

For instance, BP is pioneering the large-scale use of seabed production systems in remote, deep-water field conditions. Seven sub-sea wells are to be used to exploit those parts of the reservoir which are out of reach of the main production platform. One of these wells was used to bring on stream the field, at an initial rate of 15,000 barrels a day, on August 14.

Remote control

A novel, remotely-controlled seabed plough was built to bury the flow lines in and around the Magnus Field while a new type of unmanned underwater inspection vessel—the Marine Maintenance and Inspection Machine—has been developed to carry out inspection and maintenance tasks normally undertaken by divers.

But it is the production platform, the bnb of the Magnus development, which dominates the project. Standing in 613 feet of water—the deepest so far tackled by North Sea field developers—the platform weighs some 34,000 tonnes making it the biggest single steel offshore structure in the world, according to BP.

BP today inaugurates its Magnus Oil Field amid a chorus of fanfares. The field, which incorporates the world's largest single steel offshore structure, has necessitated pioneering development techniques in which British industry has played a full part

Satellite send-off

By RAY DAFTER, Energy Editor

The platform has to be sturdy given that Magnus is also Europe's most northerly field, situated some 125 miles north-east of the Shetland Islands and prone to the most severe operating conditions: wind speeds of 100 miles an hour and wave heights of up to 100 feet.

The huge Magnus platform may well be one of the last of its size and type. Not only are companies looking at lighter, cheaper production systems—like the floating platform once considered by BP for the Magnus development—but the fields themselves are becoming much smaller.

Recoverable oil reserves in Magnus are estimated to be 565m barrels, amply sufficient to maintain a plateau production rate of 120,000 barrels a day of crude and 9,000 b/d of gas liquids. Future commercial fields on the UK Continental Shelf could be but one-tenth of that size.

A new study by stockbrokers Wood, Mackenzie has identified nine UK oil fields for which development plans could be formulated in the next 18 months to two years. The combined recoverable reserves of these nine are not much greater than those of Magnus—between

'Buy British'

660m and 790m barrels. At the present rate of UK oil production (around 2.3m barrels a day) these reserves would be exhausted in less than a year. That helps to identify some of the problems facing the UK offshore industry and underlines why BP, as operator of the Magnus Field, wanted to make a song and dance about today's inauguration. In a way it marks the end of an era. It is doubtful whether there will be many more North Sea fields like Magnus.

Magnus is also very much a UK enterprise. Discovered and developed by a UK company its oil will be landed at Sullom Voe in Shetland, via the Ninian pipeline, while the associated gas of some 60m cubic feet a day is to be delivered to British Gas Corporation via the newly commissioned northern leg pipeline of the Shell/Eso Far North Liquid and Associated Gas (FLAG) system.

Of the £1.3bn invested in the Magnus project, more than 80 per cent has been spent in the UK. Two main contractors, six major fabricators and more than 1,400 sub-contractors and

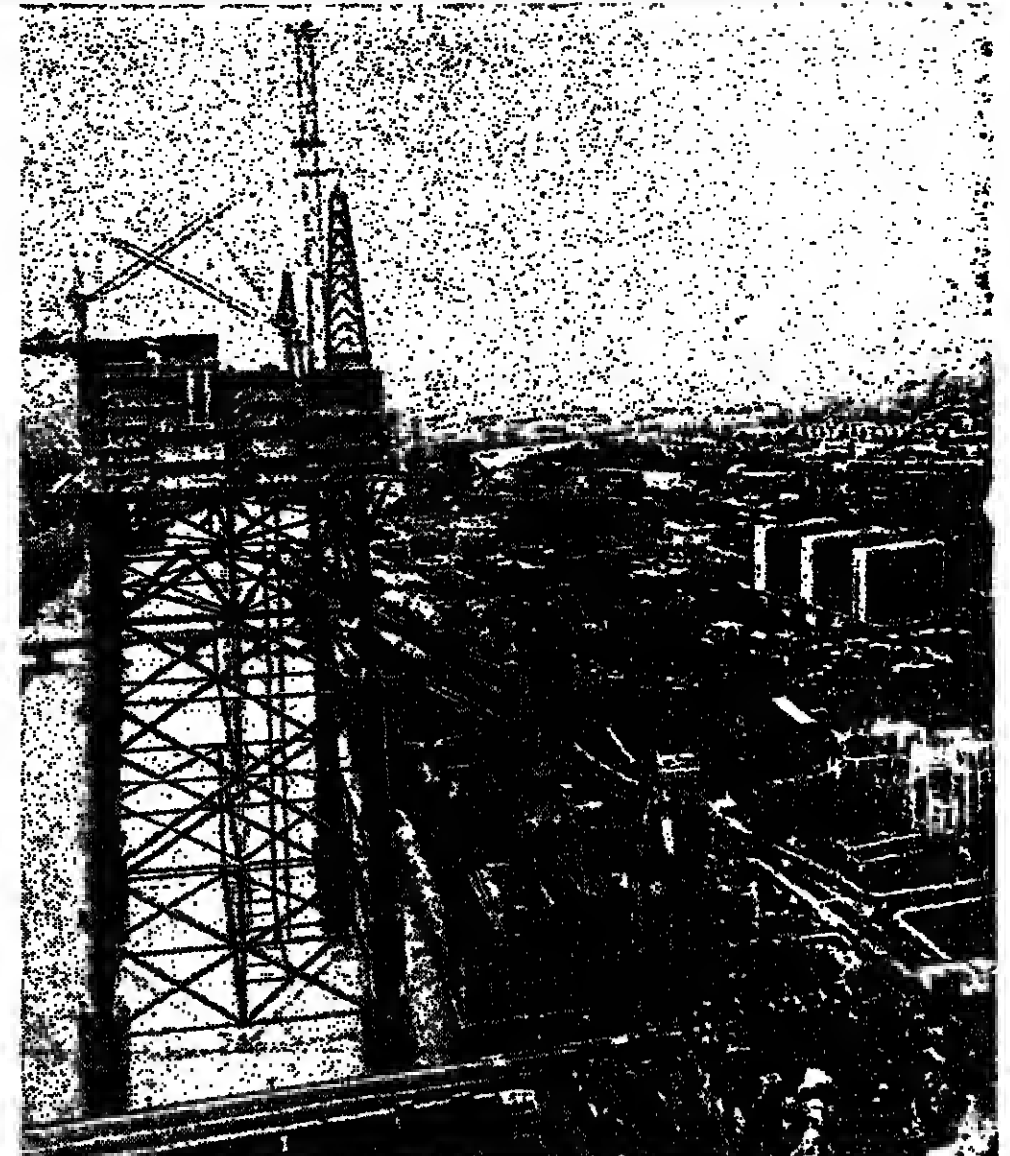
suppliers were involved in the development. The "buy British" policy of BP has contributed to the apparent success of the UK offshore supplies industry in recent years. Since 1980, according to Energy Department statistics, UK suppliers have been winning around 70 per cent of the orders placed by operators in the British sector of the North Sea—a far cry from the 80 per cent or so share won at the beginning of operations in the early 1970s.

Last year, for instance, UK companies were awarded £1.64bn worth of orders for goods and services, some 73 per cent of the £2.26bn total. On the face of it, the Government's policy of ensuring that UK companies are given a "full and fair" opportunity to compete for work seems to be succeeding.

However, the figures are misleading. While the orders help to underpin the jobs of the 100,000 people employed in the UK offshore supply industry, they do not always boost the profitability or technological reputation of UK-based companies.

Peak levels

This new emphasis on technology is well timed for figures presented at the recent World Petroleum Congress in London show that oil exploration in the UK sector of the North Sea has returned to the peak levels of the mid-1970s. Energy consultants Gaffney, Cline and Associates who prepared the



BIG BEN HUMILED: an artist's impression of the Magnus platform superimposed on a view of Westminster, London. The structure has been placed in one of the most hostile areas of the North Sea

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UDI's plough machine: how new technological ground was broken to bury pipelines IV

CONTINUED ON PAGE II

Thanks to everyone who master-minded our Magnus.

Now BP will answer questions on their specialist subject Recovering oil in almost impossible conditions.

Q: What sort of climatic conditions could be encountered in the North Sea?

A: 100 mph winds creating 100 ft waves.

Q: Name one oil platform capable of working in such conditions.

A: Magnus.

Q: Name the largest single steel structure in the world.

A: Again, Magnus. It weighs 34,000 tonnes.

Q: How tall is Magnus?

A: 1,014 feet. That's taller than the Eiffel Tower.

Q: How much power does a platform of this size require?

A: About 75 Megawatts—practically enough electricity to supply the whole of Oxford.

Q: What is the total length of the Magnus cables?

A: 1,050 miles. They'd stretch from London to Edinburgh three times.

Q: Is there anything BP would like to "pass" on?

A: Only their thanks to everyone who helped, with brains and brawn, to make the Magnus Development a great British success.

BP

Britain at its best.

STEN PAULSON

Pignone Newsletter

WHAT'S MOVING IN THE ENERGY WORLD



NUOVO PIGNONE AT MAGNUS FIELD

One of the three high pressure export gas compressor modules supplied to the BP Magnus Field platform. These single-lift modules, on three-point baseplates, were string tested at Nuovo Pignone's plant before shipment.

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HYDRIL

Hydril-Aot congratulate British Petroleum on their achievement in designing and building the Magnus platform.

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How the contracts were allocated

THE WAY a major North Sea operator such as BP or Shell Expro organises a project on the scale of the Magnus field is constantly changing with the experience gained both from running new projects and constantly altering established platforms to meet unexpected requirements.

While Magnus will be among the last UK oil fields to be developed without the "marginal field" label, the way it has been organised already reflects the drive for economy and efficiency being demanded increasingly of North Sea developments. A combination of in-house and contracted management efforts has co-ordinated the project from design to installation and commissioning.

The platform itself occupied the efforts of two main contractors, six major fabricators, and 1,400 sub-contractors and suppliers, from its design through to its installation and hook-up. In addition to this effort, which was run under two management contracts, transporting the field's oil and gas required two new pipelines to be laid across the ever-growing web of northern offshore gas and oil lines by two more contractors. Drilling the all important wells from the first May 1974 discovery well, right through to the recently completed remote, subsea producing wells has involved two drilling contractors already and a third will take over when platform drilling begins in October.

BP managed these operations in-house except for the laying of the Magnus gas line which was operated by Britoil during the construction phase. More than 80 per cent of the contracts involved with the project so far have been placed in the UK with most of the remainder falling to European contractors. The principal efforts facing contractors on the project can be divided into five, often inter-linked, areas—

- Design and management of the platform construction,
- Pipelines operations,
- Drilling and completing wells,
- Fabrication and installation of the platform structure or "jacket",
- Fabrication, installation and hook-up of the topsides facilities.

Pipelines

The project was organised to allow for all pipelaying to take place while fabrication of the platform jacket and modules was going on, allowing pipelaying to take place without inter-

ference from the platform. Drilling continued throughout all stages.

The pipelaying involved special challenges, principally from the deep, hostile waters of the field itself and from the obstacle provided by existing pipelines. Italy's Saipem used the world's most advanced pipelay vessel, the self-propelled, semi-submersible Castoro Sei, to lay both the 24-inch, 92 kilometre, main oil line and the six-inch flowlines, totalling 35 kilometres to the seven remote subsea wells.

Although BP had originally planned to lay the flowlines in 1982, after the platform was set, it opted instead for a novel method of laying the flowlines offered by Saipem. This required them to be laid before the platform was employed.

The main oil line was laid from May to July, 1981, and the flowlines were laid in September of the same year. The oil line crossed three other lines on its way to Nidjan Central, and special bitumen mattresses were constructed to enable the crossings. BP estimates the contract cost of the main oil line at £26m. Six of the flowlines were laid by making three sweeps across the platform location and laying steel cable between sections of the pipeline as it crossed the platform site. While precise navigation was required, this saved a considerable amount of time.

Another innovative technique was developed for the laying of the 20-inch 79 kilometre gas export line which BP shares with Britoil's Thistle and Conoco's Murchison fields all supplying the EL AGS gas line from Brent to St. Fergus. The Brown and Root semi-submersible lay barge Semac-laid the first three kilometres of the line from Magnus in the hostile opening days of March 1982, laying a control "all-weather" down-the-line" at the three kilometre mark.

The operation, repeated with the line's other control valve at Brent and with three sub-sea T-junctions, avoids the costly operation of installing them with divers and underwater welding. The early start to laying was to get clear of the platform before it was set. Laying of the line, built by Britoil but now operated by BP, was completed later in the summer of 1982 and came on stream in July of this year with Murchison gas.

Thistle will begin flowing in the autumn while Magnus will not join the production until January, 1984. Like the Magnus project, it was under budget, at £26m. BP's share thus costs around £58m.

Drilling

The Magnus discovery and appraisal wells were drilled by Texas based drilling company Conquest, while the development drilling was begun by BP's Sea Conquest crew and taken over by Atlantic Drilling when Ben-Odeco bought the rig and renamed it Ocean Benolay. Sub-sea wells were manufactured by long-standing US wellhead manufacturers Cameron Iron Works. Platform drilling, due to begin in October, will be by Dan Smedrig.

Platform

BP decided early on in the project to go for a conventional steel jacket platform but to divide work into two main activities—structure, or "jacket", and topsides. The job of co-ordinating the engineering design, procurement and installation of the jacket went to John Brown Offshore Limited while the similar task of organising the platform topsides went to Matthew Hall Engineering Ltd.

The two operations were conducted simultaneously with topsides module fabrication finishing within weeks of the planned installation date of the jacket.

Jacket design and fabrication

John Brown hired its subsidiary John Brown Earl & Wright to carry out most of the jacket design, while Nigg Bay-based Highlands Fabricators won the job of fabricating the world's largest single steel structure. In turn, major contracts were let to Japan and to other British yards to supply the steel, to fabricate "leg nodes" (which join the jacket's four huge legs to its support bracing) and the steel piles which pin the jacket to the sea bed.

The job did not hold the glamour of a new concept, such as the Hutton Field's Tension Leg Platform, or the Meuren Field's steel gravity structure. But for John Brown and the setting of the jacket marked

an equally important achievement: "From the day the contract was let in August 1978 to the day the jacket was towed out and installed in 1982, the budget and the programme never changed," says the company. According to BP, this is within a budget of £132m.

Furthermore, tow-out took place on the day scheduled, March 27 1982. John Brown's San Francisco sister company, Earl & Wright, was called into supply the upending system to set the self-floating platform on the sea bed.

To cut costs, the company employed the capsule used previously on the Ninian Southern platform. The setting operation, however, developed a hitch mid-way. Ten of the 14 piles installed to add buoyancy during setting, fell off causing the jacket to list 20 degrees. Computer simulations, worked out before hand, were employed to enable the event to be overcome and the jacket was finally set on April 4—three days after upending began.

Topsides

Design of the topsides went into top gear on April 1 1979, according to Matthew Hall, with fabrication beginning at five North Sea yards in early 1980. Matthew Hall had the job of bringing to reality an array of 18 modules, installing them and overseeing hook-up.

The platform's 18 modules were built at five North Sea yards in northern England, Scotland and Holland. The modules were towed to site in July and installed in record time

under a week—by Heerema's semi-submersible derrick barge Balder in July 1982.

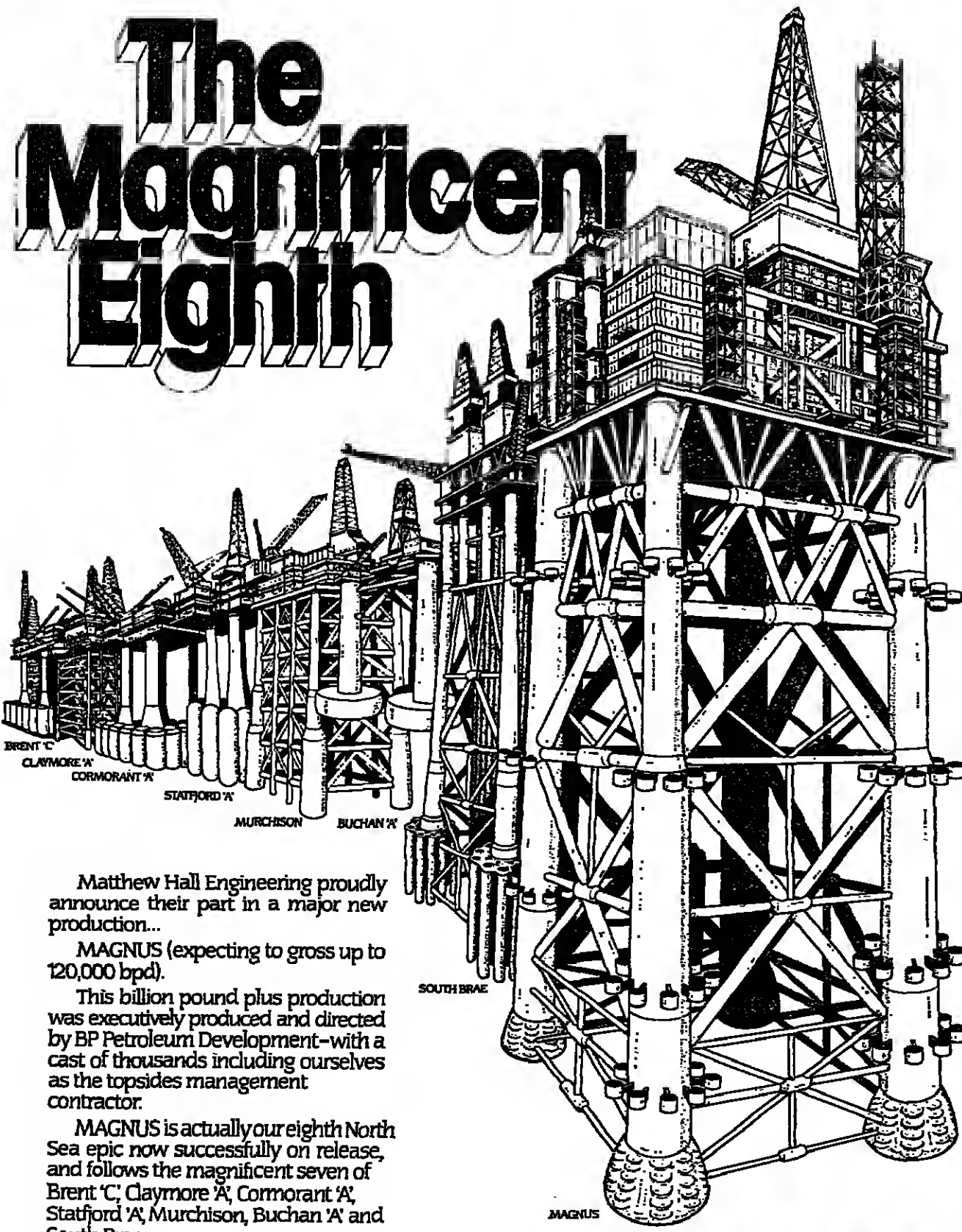
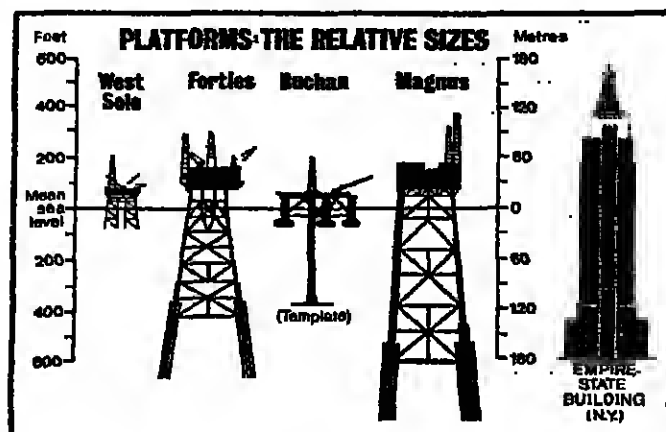
Hookup, under the control of Grooten (UK) Ltd then began with the principal activity being the running of the electric cable for the platform. A feature of modular, offshore topsides installation is having to involve a large workforce offshore—in the case of Magnus over 1,000 workers—linking the units together and tying-in pipelines and controls to the field's remote subsea wells.

The Maureen Field platform avoided much of this work by linking topsides and structure inshore just as has been done with the massive concrete structures on some other Norwegian and UK fields. BP has yet to adopt this method, and there is not universal acceptance of the notion that it is the best way to save costs.

For Matthew Hall, the project is the biggest in its 10-year history. The company is especially pleased with the advanced safety features of the platform—including a microprocessor alarm system—and with the lighter and simpler system of separating gas and natural gas liquids (NGL). The system employed rejects the more conventional refrigeration unit method of separating out NGL's in favour of a turbo expander which cools gas by reducing its pressure.

Hookup operations are likely to wind down towards the end of this year, and already, with first production under way, the platform facilities are being shared by permanent operations staff and construction crew.

James Ball



Matthew Hall Engineering proudly announce their part in a major new production...

MAGNUS (expecting to gross up to 120,000 bpd).

This billion pound plus production was executive produced and directed by BP Petroleum Development—with a cast of thousands including ourselves as the topsides management contractor.

MAGNUS is actually our eighth North Sea epic now successfully on release, and follows the magnificent seven of Brent 'C', Claymore 'A', Cormorant 'A', Stafford 'A', Murchison, Buchan 'A' and South Brae.

Our best wishes go to BP for the opening premiere performance and congratulations for what is guaranteed to be a long run.

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Tough test for planners

WHEN the Magnus field was being appraised by British Petroleum in 1975-76 it looked to be very marginal.

The remoteness of the structure and depth of water meant that the cost of implementation would be disproportionately high despite the know-how gained from the first phase of North Sea development and advances in technology.

It presented the toughest engineering test yet encountered on the UK Continental shelf—with all the associated difficulties of accurately forecasting costs.

Original estimates of recoverable reserves were about 450m barrels—a figure subsequently revised upwards to 550m barrels compared with 1,000m for Forties, which had come on stream in 1975 at a cost of about £1.3bn.

In 1975-76 Chevron's Ninian field was undergoing development at a cost of £1bn to produce oil at a rate of 120,000 b/d. Following the oil price explosion of 1973-74 the price of crude oil had been declining gently in real terms and continued to do so until the early part of 1979. Nevertheless, after exhaustive engineering and economic studies BP decided early in 1978 to proceed. The cost was estimated at £1.3bn. The company concluded that, despite the inevitably high cost of development, Magnus could yield an adequate rate of return over the life of the field—the company's overall strategy—but only through the application of largely untried technology.

One consideration was that revenue would be enhanced by relief on the corporation tax on the proceeds from Forties under the North Sea "tax fence" system. Capital allowances on Magnus would delay

tax payments even if it did not reduce them in the long run.

One vital factor in the equation was transportation. With offshore loading ruled out because of weather conditions, a positive decision was helped by the existence of two pipeline systems to the north-east of the Shetlands. There was spare capacity in the Brent system, the nearest of the two, but it looked to be insufficient to cater for Magnus.

Sticking point

In the event Amoco and Conoco negotiated terms with Shell-Eso for an option on it. BP settled for the Ninian system which had ample spare capacity and is operated by the group. And it was decided that the oil, spiked with natural gas liquids, would flow via the Ninian system to Sullom Voe.

One sticking point in the protracted discussions with the Department of Energy after BP had submitted its planning application concerned gas and its transportation. Gas volumes from Magnus are small in commercial terms and not an important factor in the viability of the project.

As it was, final approval of the project in December 1978 was given on the understanding that BP would make available the gas at the foot of the platform as part of its project while working out a method with the British Gas Corporation. The British National Oil Corporation of transporting it via the Brent system.

The outcome was the construction of the 20-inch Northern Leg Gas Pipeline (NLGP), stretching 49 miles from Magnus. Commissioned this July, it is connected not only to Magnus but also Britoil's Thistle and Conoco's Murchison fields with Shell-

Esso's Far North Liquids and Associated Gas system (commissioned last year) for onward transmission to St. Fergus. BP has a 60 per cent share in the facility, Conoco 30 per cent, and Britoil 10 per cent.

A significant feature of the project—one essential to its economics—was the completion of subsea wells in advance of the laying of the structure and the commissioning of the superstructure so that production and cash flow could begin as soon as possible. Employment of satellite wells, instead of the construction of two platforms, was dictated by economics.

But the project also presented special challenges and innovation.

The flow lines had to be buried for thermal insulation, a process which involved the use of a remotely controlled underwater tractor developed by UDI or Aberdeen and BP. Added by television cameras the operator controls it through an umbilical which also carries power for the tractor.

Further complications arose from the fact that the main 24-inch pipeline to Ninian, laid in the summer of 1981, had to cross three other pipelines in the East Shetland basin—Dunlin-Cormorant, Brent-Cormorant, and Western Leg Gas facilities. These had to be opened up and bitumen ballast buffers placed over the top of existing buried pipelines.

Only after long study did BP decide on a steel structure for Magnus having initially considered concrete gravity platforms, tethered buoyant platforms and hybrid structures. That was because the seabed was at first thought to be unsuitable for pile-driving. It was eventually concluded that pile-driving was possible as a result

of advances in the development of hydraulic and steel hammers. A concrete platform was not needed for its storage buffer which facilitates offshore loading because the oil was to be transported by pipeline. In addition, BP had gained experience with steel structures with its Forties development. And so John Brown Offshore was appointed at the end of 1978 to construct the largest single piece structure yet designed for the North Sea, higher than the National Westminster Tower in London.

That dictated that the structure should be self-floating because there was not any large capacity big enough to handle the finished platform weight.

The two 24-foot diameter legs included in the design to give the required buoyancy, are divided into four separate compartments. They are now used to store drilling water, drilling water and diesel fuels.

Magnus's "topsides"—the on-deck production and accommodation facilities—constitute one of the most complicated superstructures yet built, not least because of the substantial installation of sophisticated processing equipment and the fact that water injection was required from the start.

Synchronised

Matthew Hall was responsible for the project management, engineering design, procurement and fabrication as well as the installation and commissioning of the project.

As part of the "hook-up" exercise, the placement of the modules, weighing a total of 31,500 tonnes, was completed within a week in July last year with the work carried out by semi-submersible crane-barge, Balder.

The highly synchronised operation involved the laying and joining of 1,050 miles of cables of all varieties including the heavy cable needed to carry 11,000 volts produced from three gas turbine generators—the electrical needs of a town the size of Swindon with a population of 85,000 people.

With three years or so to go before completion, the project is on schedule and within the £1.3bn budget. As far as BP's income concerned, Magnus will benefit from the phasing out of Advanced Petroleum Revenue Tax.

The stockbrokers Wood, Mackenzie estimated in April that the rate of return from the field would be 21.2 per cent, or 19 per cent in real terms. That can only be regarded as healthy for a high cost development regarded as marginal seven or eight years ago.

Richard Johns

Satellite send-off

CONTINUED FROM PAGE ONE

statistics said that companies had responded to new tax incentives while working to fulfil their licence drilling obligations.

Within the industry it is felt that the exploration rate could be maintained for several more years, companies have been encouraged by the way oil prices have been stabilised and they may soon be enticed into further drilling by the award of a further, ninth, round of licences. (The pace of exploration will certainly need to be sustained if the UK is to continue as a significant oil producer into the next century.) The potential for technology

exports has also been highlighted by the award of new exploration licences in one of the most promising offshore exploration areas in the world, off the extensive coast of China. Significantly UK-based oil companies—notably BP, Royal Dutch/Shell, Tricentrol and Cluff Oil—feature prominently among China licensees.

The UK offshore supplies industry must have been heartened last week when Mr Tang Ke, China's Minister of Petroleum Industry, told Mr Peter Walker, UK Energy Secretary, that the development of technology to manage oil fields

on the UK Continental Shelf in severe weather conditions would be especially welcome to China. In turn Mr Walker said that the acquisition of British industrial know-how was as important as the oil produced.

Mr Tang has been seen at first hand the technical advances in the North Sea. During his visit he was due to visit BP's Forties Field, one of the first major developments which is still yielding oil at over 450,000 barrels a day, around one fifth of total UK production.

And he is expected to be among the guests at today's Magnus inauguration ceremony.

MAGNUS OIL FIELD III

Location and shape the major problems

BRITISH PETROLEUM wasted little time in confirming Magnus as an important oil reservoir.

The process started in 1972 when the company was awarded the drilling concession in block 211/12, some 125 miles north-east of the Shetland Islands. Fortunately for BP it was also granted block 211/7 immediately to the north. It was later found that the northerly corner of Magnus lies in block 211/7. If that block had been allocated to another company BP would have been involved in complicated unitisation agreements and, perhaps, arguments over development plans.

The blocks were among the 222 allocated under the big fourth round of licensing in terms of North Sea developments although with the discovery over the two previous years of two huge fields—BP's Forties and Shell/Esso's Brent—the industry had come to appreciate the attraction of exploration in the region.

Concessions

During the summer of 1973 BP conducted detailed seismic surveys of its new concessions. Examining the data geophysicists identified a sizeable, potentially oil-bearing, geological structure running north-south across the length of block 211/12. At that stage there was no knowing whether oil was contained in the rock structure; only an exploration well could confirm that.

Consequently, in March 1974 BP began drilling its first well, almost in the centre of the block, using the semi-submersible drilling rig Sedco 703. By July 27, when drilling ceased, the exploration team knew it had a winner. A significant thickness of oil-bearing rock had been found in an over-pressurised upper Jurassic sandstone structure some 9,498 feet deep.

In the following year a second well was drilled to the north east. Although there were some indications of oil it transpired that the well had been sunk just beyond the boundary

of the main Magnus Field.

Following a great deal of head scratching and evaluation work on the part of a team of geologists and petroleum engineers BP finally committed itself to an extensive appraisal programme. Drilling started in January 1976 and by the end of the programme in late 1977 it was evident that the field, though large, would be difficult to exploit.

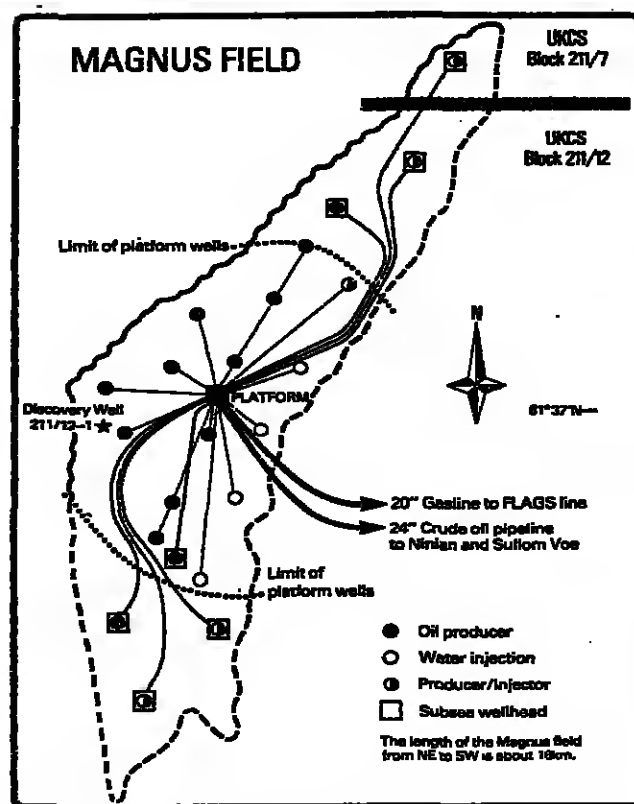
The reservoir itself, like most in the East Shetland Basin, is a "stratigraphic trap," the oil being trapped in a tilted bed of sandstone that was once eroded at its upper end and later sealed during the Cretaceous geological period by impermeable sediments.

The amount of oil trapped in this way is estimated to be 1.25bn barrels although BP is working on the assumption that it will recover no more than 565m barrels, or 45 per cent. It is too early to say whether BP will eventually use enhanced recovery techniques to boost the overall rate of production; much will depend on the state of technology and real oil prices in the 1990s.

A number of North Sea companies, including BP, are currently experimenting with enhanced recovery techniques—such as the injection into the reservoir of gasses or detergents—in an effort to release more of the oil trapped in the microscopic pores of reservoir rock. At the moment, however, such techniques remain extremely expensive.

But oil recovery was not the main problem confronting BP. A recovery factor of 45 per cent is extremely high when set against production efficiencies in some of the other parts of the world.

It is the shape of Magnus—long and narrow—which has posed most of the problems. Ideally BP would have wished to exploit Magnus from two fixed production platforms positioned towards the northern and southern extremities of the reservoir. However, given the extent of reserves, the depth of water and the severe conditions in that part of the North Sea,



BP realised it could not justify the cost of two major platforms. So BP decided to exploit Magnus by means of a single fixed platform, positioned not far from that initial exploration well, and seven well systems placed on the sea bed. These subsea completions, as they are called, have been located up to five miles from the platform so that they can tap oil reserves out of reach of the main platform production wells. The subsea units are linked to the platform by small diameter pipelines and umbilical lines carrying electrical and hydraulic circuits for the control of the well-head valves.

Pioneers

BP has thus emerged as one of the pioneers of subsea production systems in the North Sea. It might well have found itself in the forefront of technology in another respect for at one stage BP engineers were also looking at the possibility of using a floating platform tethered to the seabed rather than a fixed steel structure.

As it happened it appeared that a tethered platform would have been even more expensive so BP decided to stick with the proven technology of a fixed steel structure. In the end it was left to the Conoco consortium, in the North Sea's Hutton

Field, to pioneer tethered tension-leg, technology.

Although the configuration and location of the Magnus Field have posed many new problems the geological conditions have been much kinder to BP.

Unlike in some fields, the sandstone rock is consolidated so BP is not expecting the costly nuisance factor of sand production. In similar vein there is very little sulphur contamination (0.3 per cent) in the light, high quality crude oil. Specific gravity of the crude is 59 degrees as designated by the American Petroleum Institute.

BP is having to manipulate reservoir pressures needed in the maintenance of oil production, however. Although the oil reservoir is surrounded by an aquifer (water-bearing rock) this water is not expected to help in the recovery of oil.

So BP will have to maintain the reservoir pressure by injecting 170,000 barrels a day of sea water at 3,000 lbs per square inch. Initial water injection wells have been located along the eastern periphery of the reservoir. As with the producing wells, these injectors will be monitored continuously to ensure all is going to plan.

Ray Dafter

Winding down the support services

DURING THE construction phase of Magnus there have been more than 1,250 workers in the field at any one time to be looked after.

Activities will begin to wind down towards the end of this year as construction activity gives way to permanent operations. Until then services will be largely co-ordinated by the Peterhead-based construction project team for the field.

At present, contractor ARA Services of Aberdeen estimates that over a four-week period it provides the field with 100 tonnes of food. Included in this are some 15,000 lbs of beef, 20,000 lbs of poultry, 2,400,000 eggs, and 28 tonnes of vegetables. ARA's 15-month contract let last summer, will re-bid after the operations-only period of the field begins.

Even with this contract, the caterer will need a new field development to employ the 140 people it has assigned both on and offshore to feeding and housekeeping for the Magnus project. The company has an idea of what the future Magnus requirement would be, however,

from its six-year experience with the Occidental-operated Piper and Claymore fields. Claymore, with an operations staff similar in size to the 150-200 expected eventually on Magnus, consumes about 20 tonnes of food every four weeks.

The transport of supplies and personnel to Magnus will alter dramatically once the operations team takes over from its construction counterpart. At present, the project staff of BP and topsides management contractor Matthew Hall number 300 offshore, 180-200 at Peterhead and 80 in London.

When the field is in operation, control will shift to BP's Dyce, Aberdeen, production headquarters. The shift is already slowly taking place on the marine transport side, but will take longer when it comes to co-ordinating the helicopter travel of personnel.

Until recently, Peterhead had four powerful anchor handling/supply (AHTS) boats in service on the field each with over 8,500 horsepower and capable of reaching the field from Peterhead in 18 hours.

One, the Norwegian Edda Star, has already left. The charters on the other three (Adaptic Rolva, Atlantic West and Balder Torungen) only run until November when they may be extended in monthly periods into next spring.

Accommodation

While they still ferry supplies to the field, the plan is to have one moving, one in port and one at the field. The turnaround time at Peterhead is about 18 hours and the boat in the field will have a similar time unless it has some anchor handling to do.

Anchor handling requirements involve moving the accommodation rig Polycastle (home for 600 offshore workers) or moving the Ocean Benloga drilling rig while it is working on the field's remote subsea wells.

The Sound Truck has been chartered for long term AKTS work on Magnus with a one-year charter and options for four annual extensions. It is run by Dyce and already has seen work on other BP fields as well.

BP has not yet decided to complement the Sound Truck with another boat, but the chances are that one of the ex-rensurrection boats will be kept on in the long term. Supply boats will run out of Lerwick in the Shetlands.

Ferrying of personnel involves, at present, scheduling flights five days a week for three British Airways Chinook helicopters moving 132 people each way on each of those days.

Once the transport requirements come down, BP is unlikely to use the giant 40-seater Chinooks, and is considering coordinating air travel out of its Shetland airfield, Scalpa.

While helicopters and supply boats are ferrying back and forth to the field, the final service, that of safety, is looked after by two vessels—the purpose-built Seagair, and during construction, the converted Forties fire-fighter Coltair. The Coltair will depart when the accommodation rig Polycastle leaves next spring.

James Ball

INTERVIEW WITH DR. ALAN HORAN

Getting to grips with the North Sea

EVEN for a career oil man like Dr Alan Horan one would have imagined that the contrast could not be greater. Earlier this year he became new general manager for major oil projects of BP Petroleum Development (UK) after more than a decade in charge of Abu Dhabi's main offshore operation in which this company has an equity interest. But his first observation on his switch to a new role, predominantly involved with the Magnus Field in the North Sea—is the number of old colleagues "from Abu Dhabi and the general BP context."

Pressed a little, though, he will admit that there are differences. The minimum depth of the normally placid off-shore waters operated by Abu Dhabi Marine Areas is only 27 ft compared with the seabed 600 ft below the surface on which the Magnus platform stands.

Referring to the "topside" of Magnus, the eight-storey high production and accommodation facilities on the giant structure,

he says: "With such shallow water you could afford to put structures with modules strung out in the line, so to speak."

Yet the same principles apply for the Gulf and the North Sea, he says, namely that one completes as much work as possible on land. It guided management of the last ADMA contract under his care and was applied to the Magnus project. Work off-shore, as a rule of thumb, costs two-and-a-half times what it does on-shore. As it was, a similar programme was followed recently for the Zakum field, the second of two major fields operated and developed by ADMA. The offshore development in Abu Dhabi was reckoned to be in the forefront of technology, he points out.

Complicated

Maximum recovery within reason—which can be a matter for debate—is the same objective in the North Sea and the Gulf (where governments can be very restrictive in their depletion policies). Beyond that

comparisons are difficult says Dr Horan, who studied chemical engineering at Birmingham University and has been in management for the past 20 years. "Sometimes you have a uniform body which you can treat as a big unit and others are highly stratified."

Magnus is a complicated reservoir, as indeed were those of the ADMA's off-shore fields where output started with a capacity of 30,000 b/d but was built up progressively so that the maximum permissible controls allow such a level is now 570,000 b/d compared with the peak rate for Magnus of 120,000 b/d.

Dr Horan finds his new £1.3bn project has a character and significance of its own.

The "book-up" of the Magnus platform last July, involving the placement of 19 modules weighing over 31,000 tonnes which Dr Horan describes as "quite a strenuous and complicated exercise."

The most complicated part was the laying of the cable—over 1,000 miles of them—

"which was from the centre point, so to speak, to the various corners of the platform."

Meticulous

In particular, Dr Horan was impressed by the meticulous planning extending to the minutest details of individual tasks. "Everyone knew how the work was going to be done, what the materials were and what the sequence was—all of it, in a sense, on a sheet of paper." Much of the planning was done by the supervisors who later were on the platform doing the actual job, he notes approvingly. Although Magnus production has started development is continuing.

"Our main interest at present is to finish thoroughly this particular phase and then commission the drilling phase from the platform itself which should begin early in October."

It will be another three years before all 15 producing wells are operating.

Richard Johns

HiFab built the Magnus platform.

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MAGNUS OIL FIELD IV

Search for new oil fields is stepped up

MAGNUS is one of the last of a dying breed. The offshore oil industry and the Government have come to recognise that future discoveries will be much smaller even if they have to be exploited in similar harsh conditions as those encountered by the Magnus Field developers. From now on oil companies will have to run faster in order to maintain the rate of production now being enjoyed in the UK sector of the North Sea as a result of early developments. The accompanying chart illustrates the problem.

In 1972 development was initiated in just three fields—BP's Forties and Shell/Esso's Brent and Auk. Between them these fields contained initial recoverable reserves of around 500m tonnes, virtually all of this contained in Brent and Forties.

The present level of UK oil production, at around 2.3m barrels a day (115m tonnes a year) is greatly influenced by the output from these two fields. It would take the discovery of some seven fields of the size of Magnus to replace the reserves produced from Brent and Forties, and this in spite of the fact that Magnus is a large field by worldwide standards.

Much more sobering is the realisation that it could take 30 to 50 of the new smaller fields to replace the reserves of Brent and Forties. Oil companies believe that future developments will involve the exploitation of fields with recoverable reserves of around 10m to 15m tonnes (73m to 110m barrels). Quite a number of discoveries now being evaluated by North Sea operators are smaller still.

High costs

Given the high development costs associated with virtually any North Sea development, a tax system designed to take up to nearly 90 per cent of net revenue in certain cases, and the prospect of relatively flat real-term oil prices well into the future, it is perhaps not surprising that many operators decided to postpone the exploitation of newly found small discoveries. What did surprise the Government, however, was the extent of the oil industry's investment havoc.

Over the past two years hardly any new development work has been initiated in the UK sector of the North Sea, a point raised by BP's Mr Alan Gregory, president of the Institute of Petroleum, when he addressed the World Petroleum Congress in London a few weeks ago. He told delegates that reserves of nearly 2bn barrels (273m tonnes) were left undeveloped because they could not be tapped "by a tax regime which took insufficient account of the economic and technical realities of operations on the UK Continental Shelf."

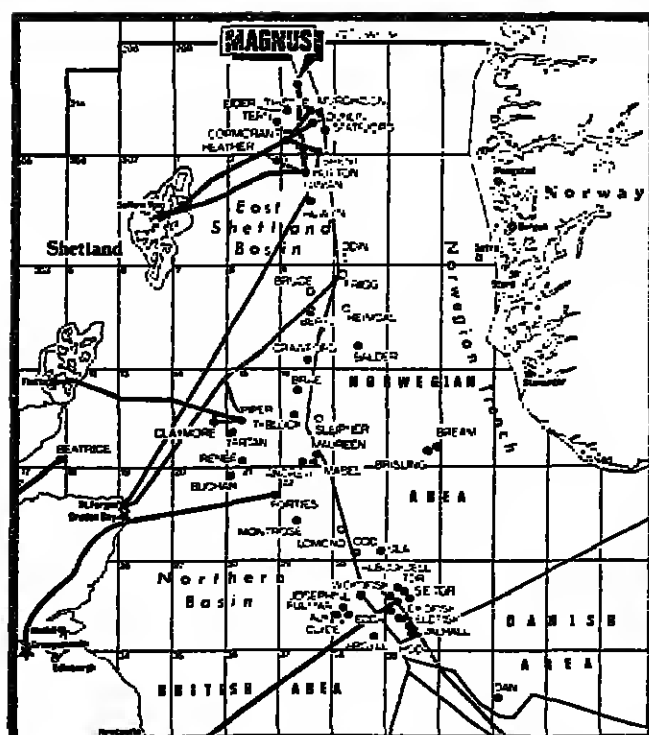
But the position was altered dramatically in March when Chancellor Sir Geoffrey Howe announced Budget changes to the North Sea tax structure. Not only did he ease the tax burden on fields already under development or on stream, he also took

considerable steps towards encouraging the exploitation of new finds. Going much further than many in the industry had dared to expect Sir Geoffrey abolished royalties which in fields currently on stream are paid on the basis of 12.5 per cent of the gross value of production. In addition he also increased the allowance which can be used to offset payment of Petroleum Revenue Tax.

All told the package of measures provided the industry with tax reliefs totalling over £800m in the four years 1983-87 as well as a real incentive to begin a new wave of development. The industry was delighted.

Mr Gregory told the petroleum congress that as a result of the tax changes at least a further nine fields could now be regarded as candidates for development. In quantity terms this meant that between 1bn and 1.5bn of the original 2bn barrels had been brought into the development category.

This is just as well because the UK will badly need some new production in the late 1980s and 1990s if it is to remain self-sufficient in oil. According to Shell the UK offshore industry



formulated by the Organisation of Petroleum Exporting Countries. Ministers have argued the cause of non-interference and free market forces. Needless to say, the Government is not anxious to see a production cut-back which would reduce tax revenues. Oil taxes are now flowing into the Treasury coffers at the rate of over £9bn a year—a far cry from 50 years ago when just 2600 was collected in oil revenues from small-scale operations in the Midlands.

By 1990 UK oil production is likely to be down to between

ledge, then, there is a good chance that the offshore industry will find and produce more oil than has been found so far. Proven and probable recoverable reserves are now estimated to be about 10.5bn barrels (1.47bn tonnes).

In the same vein, there is also a considerable amount of natural gas still to be drawn from fields on the UK Continental Shelf. Proven and probable reserves of natural gas (methane) are estimated to be 971bn cubic metres whereas the Government believes that ultimate recoverable reserves should be in the range of 1,480bn-2,123bn cubic metres.

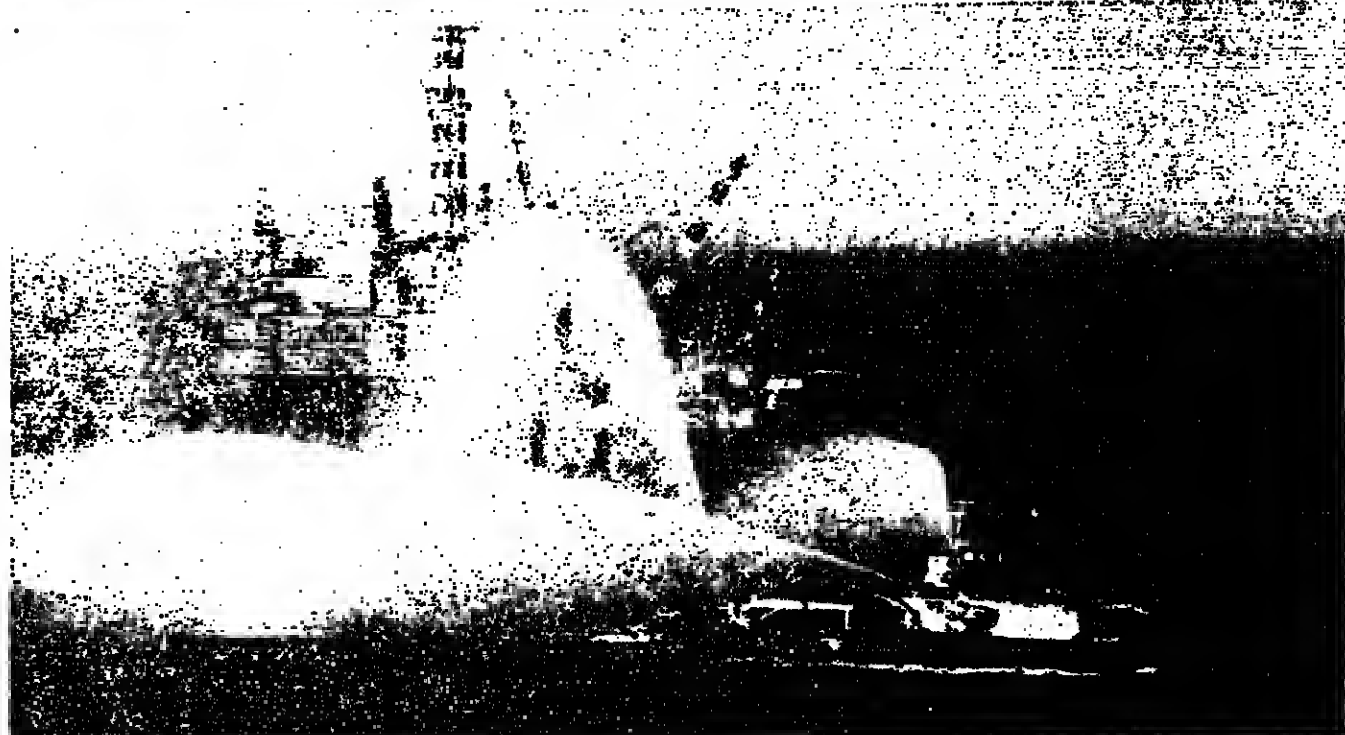
As with oil, offshore operators are now finding it much more attractive to exploit offshore gas reserves. This is borne out by the number of field developments now being undertaken or planned.

In the case of gas, however, it is not tax incentives which are pushing ahead development but the significantly higher prices being offered for deliveries by British Gas Corporation, at present the only buyers of UK gas production. That said, oil companies have also begun to press the Government to extend tax incentives to natural gas reservoirs in the southern part of the North Sea. As it stands the abolition of royalties and tax allowances do not apply to the predominantly gas-producing area between latitudes 52 degrees and 55 degrees. In the eyes of the oil industry this is an anomaly.

To support their case, companies point out that it is quite possible they will find a sizeable quantity of oil in the southern sector of the North Sea—oil which under present circumstances would be taxed at a different rate from crude produced to the north or to the south, in the English Channel.

While it is true that up to now no commercial oil field has yet been found in UK waters between latitudes 52 and 55, greater surprises have been found. For example the UK-Norwegian Frigg gas field was discovered in a northerly location thought more likely to contain oil while the Beatrice oil field was found in an area of the Moray Firth regarded as virtually hopeless by the oil industry. It would be surprising if there were no further surprises on the UK Continental Shelf.

Ray Dafer



Magnus is one of the few North Sea fields to have its own specialised standby ship. Called the Seagair it is equipped to deal with fires and oil spills as well as carry out rescue duties

Guarding against disasters

SAFETY and, to a lesser extent, concern for the environment are inevitably a fundamental preoccupation with any North Sea development. The self-interest of any operator would be enough to ensure that precaution goes beyond mere respect for extensive regulations covering design, manufacture, installation, in-service inspection and operation of off-shore fields. The recent explosion on British Petroleum's Forties platform is a disturbing reminder of the dangers. Mercifully, only 13 men were injured but the lives of 141 were gravely at risk.

The cost of the damage has not been revealed but is assumed to have been substantial. Last output from the platform of over 100,000 b/d was made up from increased output by the other three. Any major disruption at Magnus, with its single installation, could not be compensated for in that way.

Precise concern about safety and the environment involved in both the planning and execution of the Magnus project has been greater than any other in the North Sea precisely because it is the most northerly development exposed to the most hostile weather, and in the deepest water.

Magnus is one of only a few fields in the North Sea to have its own specialised standby ship rather than the converted trawlers usually operated elsewhere. The vessel is equipped to deal with fires and oil spills, as well as carry out rescue duties.

Some of the basic facts, meticulously and necessarily worked out by BP's Environmental Control Centre, give an idea of the physical and meteorological context of the project. Water depths vary from 636 feet at the western extremity of the field to 560 feet at the termination of the main crude oil pipeline at the central platform of the Ninian field. The centre's studies have indicated a maximum wave height of 100 feet.

Four diesel-powered generators, each of 2,500 kW, supply power both for the transverse thrusters used for positioning and recovery with booms and skimmers. As for ancillary equipment, its four fire monitors can direct 80,000 litres of water a minute on any fire. Its oil spill clean-up equipment includes spray booms, 20 tonnes of dispersant, and a skimmer for oil reclamation. It is also equipped

to deploy a remote-controlled submersible for inspection and maintenance work.

Subsea and platform wells have been or will be equipped with blow-out preventers and safety valves in line with the most modern oil-field technology. It is reckoned that a blow-out from one of the subsea wells is extremely improbable. A blow-out could be caused only through bad damage from trawling gear or anchors—unlikely because of the physical size and strength of the heads—or during maintenance from a semi-submersible drilling rig. The chances of a serious mishap such as the one in 1975 on the Ekofisk Bravo platform are considered remote.

Magnus, like all other oil and gas ventures in the North Sea, is covered by the emergency procedures established by the UK Offshore Operators Association in conjunction with the Norwegian Industry Association for operating companies and operators in Dutch and Danish waters. The field falls in the area known as the Red Sector, one of six zones in the North Sea where Shell is the company responsible for co-ordination (because of its involvement in the big Brent complex) and would provide support in the event of a major emergency with its emergency support vessel. It has a helicopter, a 6,000 dwt Stadvig with its unique telescopic access tower.

For Magnus, however, BP has invested in its own safety and support vessel (SSV) for first line intervention. Constructed by Richards Shipbuilders, the 2,700 dwt Seagair is 255 feet long and has a beam of 65 feet. It is designed for a crew of 52 people but could accommodate the full complement of the Magnus platform in the event of an emergency. It has a helicopter deck, a 6,000 dwt Stadvig with its unique telescopic access tower.

Through its Vikoma subsidiary (sold last year) BP was in the forefront of one of the techniques for dealing with oil spillages—containment and recovery with booms and skimmers. As for dispersants, UKOA adopted BP's kerosene-based concentrate, BP 1100 WD. As it is, Magnus is covered by BP Petroleum Development's contingency plan covering all its marine operations. UKOA holds stocks of dispersant and spraying equipment which in an emergency would supplement those carried by Seagair, the first line of defence.

Environmental problems have certainly added to the complexity of the project. Sewage and waste from the platform is being pumped into the water at depth while garbage is being compacted and stored in skips for shipment and disposal ashore. A Dredge-designed system extracts oil and drilling mud from up to 10 tonnes a day of waste before they are

dumped on the seabed. Oily water associated with output is being treated for removal in parallel plate interceptors with the aqueous effluent from the production train also receiving treatment in a gas flotation unit prior to discharge to the sea.

The 500-meter safety zone surrounding Magnus has, inevitably, added to the significant area lost to fishing fleets as a result of North Sea oil and gas developments. It is on the trawler route from Hull and Grimsby to the cod, haddock, and plaice fisheries of Spitsbergen, Bear Island and the Barents Sea, but not the rich inshore grounds of the Faroe Islands. Routing of vessels has involved careful liaison.

The immediate vicinity of the Magnus field is not regarded as being of considerable value and records indicate that it has only been lightly fished, according to BP's Environmental Control Centre. Its studies indicate that Magnus's development has had only a minimal effect on overall fish catches.

BP also investigated in depth the impact on bird life. In this respect, of course, Magnus will only add to the disturbance of colonies of such cliff-nesting species as the gull resulting from helicopter flights from the Shetland Islands, a major servicing base for the field and also one of the great breeding stations of the world.

Exhaustion The centre concluded that the colonies most at risk were those at Nos and Hermanness. No evidence was found of any concentration of seabirds feeding in the Magnus area. It is believed, however, that the auk species, which are particularly vulnerable to oil spills, may swim in late summer through the Magnus area, the adults flightless because of moulting and the fledglings still not airborne, on route for Norway. Other migrations pass far overhead, with most at 5,500 feet and some as high as 21,000.

Evidence from the Forties platform was that birds stopping to rest there might die of exhaustion, be caught by gulls and predators accompanying them, fall into the sea—or fly into the flares. The presence of structures is not completely negative as far as migrants are concerned.

"Birds settling on offshore structures would almost certainly have failed to reach their destinations were not for these unexpected resting places," noted BP's assessment of the Magnus development.

Richard Johns

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Mark Meredith on the development of a unique plough

How new ground was broken to bury pipes

PRODUCING oil at greater depth in the cold and hostile waters around Magnus has pushed back the frontiers of offshore technology. Among the new equipment produced in the UK to meet the demands of exploration in Magnus was a 80 tonne underwater crawler tractor able to perform heavy duty tasks on the seabed. It has been developed by UDI, a subsidiary of the John Brown Group.

BP faced a problem with the flow lines carrying oil from the seven satellite sub-sea stations—seabed wellheads—four to seven kilometres away from the central platform.

The temperature of the water at this depth and thus far north meant that the oil could cool, become waxy and flow more sluggishly.

Thermal insulation—through covering the pipe with concrete—was a help but ideally the pipes needed to be buried.

Trenches for pipelines have been dug before, sometimes by a plough dragged behind a tug, sometimes by a sledge hauled soil away with jets of air. The conditions around Magnus made both these techniques unsuitable.

Project managers wanted a trench that would not harm the pipe and pulling a plough at this depth was out of the question. They also wanted to ensure that the pipeline was properly buried and not left lying in an open trench.

The solution was a plough designed to dig a trench for the pipeline about one metre deep and replace the ploughed soil.

An earlier film project by UDI to develop an underwater tractor for sealed inspection brought the company to the Magnus project. The project, Seagair, was developed during the mid-70s but did not take off commercially.

In 1980 UDI was signed by BP as a prime contractor to develop and manufacture the remote controlled seabed trencher. The project ran alongside a major engineering surveying and underwater television activities of UDI.

Powerful

The new machine would have to be not only powerful—but also agile and soft footed enough to cross other pipelines without damaging them.

The vehicle however was not designed to lay the large 40 inch pipeline which connects the oil platform to oil and gas terminals onshore. After construction at UDI's Aberdeen base, the remote controlled trencher underwent trials on a local beach in August 1981.

The trencher is a squat vehicle with broad based rubberised tracks powered by electric motors. It picks up the pipeline through a front end feeder which pays out through the back of the vehicle and through the throat of the plough which cuts the trench. The machine is then brought to the surface and the plough replaced by another appliance to rebury the pipeline.

The vehicle operates from a ship on permanent charter, the Star Arcturus. A large A-frame crane lowers the trencher over the stern of the ship by its

control cable which is fed out through a powerful winch from a large cable drum.

It is also ideally suited for the control cables which run between the sub-sea systems and the central platform, the so-called umbilicals.

These umbilicals carry the hydraulic hoses as well as electric power and signal cables. The cables can also be paid out from a separate drum on board the Star Arcturus and passed on to the trencher for burying.

The trencher picks its way along the seabed using a network of underwater television cameras and sonars fitted around the vehicle. A mechanical arm, also equipped with camera, can place and cut cable when laid.

Mike Hosking, UDI's managing director and a former submariner, sees the logic in deeper waters as a logical extension of his company's activities.

"After all, you need to see what you are doing underwater. We have remote control technology for the tooling side and technology for locating. We also have the navigational side giving people the ability to find out where they are. As people move to more hostile areas, these technologies are going to become increasingly important."

Other jobs have followed including a Britoil contract to lay umbilicals for the sub-sea controls along the northern end of the gas pipeline which connects many of the fields off the east Shetland basin to onshore terminals.

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THE ARTS

The Genius/Royal Court

Michael Coveney

It is three years since Howard Brenton's *Genius* opened at the National. His wonderful new play at the Royal Court takes up the theme of an innovator's responsibility in the nuclear age and achieves an astonishing lift off into the related realms of education, the Cold War, student radicalism and political theory.

The Genius is rich in pertinent argument, dense with characterisation, teeming with memorably stage pictures and bristling with Brenton's best writing: flinty, impassioned, explosive. And not for the first time, the tiny Sloane Square stage rises to the challenge of a large-scale piece with ingenuity, resource and a perfectly tempered design language (courtesy of Peter Hartwell). None of that worrying, operatic displacement of text and busy fiddling about which disfigured *The Romans in Britain* in the Olivier.

The contemporary Galileo is "a radical mathematician" on the fringes of the Massachusetts Institute of Technology to an English university in the Midlands. Leo Lehrer is an exile, late 20th century style, who has flushed his horrifying discovery of how to unify the forces of nature into a theory of receiving overtures from the Pentagon. He has arrived to indulge in pure research and fend off the vice-chancellor's welcoming offer of a muffin in the rain with a demand for unlimited computer time.

But Lehrer (yes, you remember Tom's song too) is fooling

himself, for the insistent thrum of the piece—reflected in the pervasive drone of Patrick Bridgeman's fine soundtrack—is that there is no longer anywhere to hide. Lehrer encounters a brilliant student, Gilly, from Watford, who, in reassessing her mother that she is not indulging in orgies or hard drugs, has bit on the very final solution that has traumatised the Nobel prize-winner.

Their duel, begun in a whirl of caustic excitement in the campus woods, underpins the rest of the evening. Lehrer says he can no longer play the piano as the tunes would burn the air. Gilly rejects this moral ploy before being forced to face up to the dangerous reality of her own school sums.

At this point the metaphorical power of the play steams forward, as slight misgivings as to the credibility of Gilly as an Einstein-quoting prodigy who has not even heard of Galileo.

Drinks of the laws with the vice-chancellor (a brilliant role, superbly taken by Clive Swift, as good as the elegiac academic in Brenton's *Magnificence* 10 years ago on this very stage) are disrupted by a variety of chillingly hilarious force. Acid liquid is served by Gilly fully topped up in a skin of first degree burns.

By this time, another rich vein has been tapped by Lehrer's affair with his sponsor's

scene, their lust bursts through the interruptions of radical feminist games on Gilly's carved equations ("Get off my sum") and of a cycling eccentric (Alan



Trevor Eve and Joanne Whalley

David) later revealed to be a crucial, cynical red herring. An alcoholic student is also on hand to pressurise Leo on behalf of British intelligence, and the university debate is memorably encapsulated in an academic showdown in the vice-chancellor's civilised den. With breathtaking economy, this privileged good descends complete with Georgian mouldings from the files.

The action, in Danny Boyle's fluent, assured production, moves from campus grounds to a lamplit street by the Russian Embassy and finally to a protest group outside a nuclear missile base in the country. Here

Joanne Whalley's Gilly has reached her conclusion that there can be no more secrets. Hugh Fraser and Anna Nygh as an academic couple torn apart by Lehrer's intrusion are alive to the nuance of the text and fall on it with relish and finesse. The former mixes comedy with pathos to marvellous effect. And the whole show is held together by Trevor Eve as Lehrer: tough, cool, cocaine-sniffing, promiscuous, a man who has been through the mill. This is an outstanding piece of acting in a play which is quite clearly one of the most important and enjoyable of the year.

A Streetcar Named Desire/Greenwich

Martin Hoyle

Voltaire accused Marivaux of weighing butterflies' eggs in scales of spiders' webs. Tennessee Williams's characters keep the world a way behind ramparts of spun glass manned with cannons that prove to be no more than ruman candles.

Until recently written off in Britain as deep-south gothic and—most damning of all—"the trial," Williams's style is finally acknowledged as a quickly poetic in its whooping flights of passion and revelations of genteelly concealed agony. In his way he is as individual a stylist as Flaubert.

The Greenwich season opens with an uncommonly strong evocation of his characteristic themes. *Blanche Du Bois* is the archetypal Williams wounded bird taking refuge in wistful delusion. If *Yvonne*, which stamped the part with her own waif-like fragility, Sheila Gish's streak of toughness makes her descent into madness all the

more shocking. She enters, aptly, behind the gauze wall of Bernard Cushtaw's New Orleans interior, to be led back finally into the same passionate blur. Initially, her hooply well-bred flightiness, allied to a roaming accent that touches on the Antipodes, recalls an outraged schoolmarm; but she brings dignity and conviction to Blanche's doomed moth flutterings, moving in her advances to the bewildered young door-to-door collector and gripping—Williams's writing is at its best in such soaring solo arias—as the account of her homosexual husband's discovery and suicide.

This fine central performance is strongly supported. Any Stanley Kowalski faces the same challenge from Marlon Brando as subsequent Brando's must from Edith Evans. Paul Herzberg begins too young and good-natured; the high school football star rather than the sub-human, all coiled

animal menace and gusto for the physicality of life, of Blanche's fears (or desires?).

He and Miss Gish remind us of the author's often overlooked humour. Whereas Brando's loving tokenism is half-intentional, this Stanley is a conscious funny man who still musters up enough menace to be frightening by the end. The production is confident enough to let Blanche be laughable, not just in her vague description of the Poles as "something like the Irish... only not so big-brow."

Clare Higgins, warm and practical, is a positive Stella. Duncan Preston's gauchely well-intentioned Mitch is comic, not caricatured.

Reservations remain: sinister old flower-sellers mouthing Benoit Spanish phrases belong to the less acceptable streak of florid symbolism that embarrasses the British. But the rest is taut and moving.



Sheila Gish

Quack Quack/Chipping Norton

B. A. Young

Chipping Norton's little Theatre is in narrow Spring Street, round the corner from the Chequers. It was once a Salvation Army hall and has a splendid acoustic and comfortable seats.

Quack Quack, written by Dudley Sutton, with songs by Jeff Clarke (who sits below the raised stage at a piano festooned with cymbals and things), is said to be based on an idea from Moliere. The idea is that you have to beat up a doctor to get the best out of him; or in Mr Sutton's rhyming dialogue, "doctor-bashing brings the cash in."

This isn't some satire, keen and critical, about the fashionable practice of suing the hospital when your cure has gone astray. It's a mad, entertaining farce that wanders through the adventures of Sam, who distils his life from mistletoe, and the bizarre characters that inhabit his world. These are Thomas, who begins as a gardener's boy but ends as a pop star; Martin, Sam's henpecking wife; Bo and Fergus, two boodlums working for the National Health; Gerald, a magistrate, and his lovely daughter Lucinda; and Barry, Lucinda's fiancé. Mad, call it, for to define true madness,

what isn't but to be nothing else but mad? Yet even Polonius would have found something else: that it is idiosyncratically funny from start to finish. The dialogue is all in rhyme ("the tyranny of rhyme left me little leisure for accuracy," the programme quotes). The rhymes, lots of them worse than anything that ever came out of a pantomime, are more or less independent of rhymes; they just go inexorably on. The songs are, for once, more memorable for their words than their music. Lucinda, cashing in on simulated anorexia, has a number called "Think thin," and

later she and Thomas do a splendid duet which is a variation on a Shakespeare lyric. They marry, these two, although she was pledged to Barry; he lures her away disguised as a pony. The secret of the comic charm lies chiefly in the inventive and firm direction of Murray Melvin, who has never allowed any second-class playing to intrude on what, in other hands, might look like a students' rag. Of the principals, Jeff Pyle is Sam, Christine Pilegrim is his wife, James Biddlecombe is Thomas, and Jill Barry the gorgeous Lucinda.

Mehta and the Israel Philharmonic resappeared for Monday's Prom with Mahler's huge Third Symphony, joined by the American mezzo Florence Quivar, the BBC Symphony Chorus and the Tiffin School choir who had collaborated in Stravinsky 10 days earlier. The broad lines of Mehta's reading were eminently sound, and he delivered as running straight through the six-movement structure; the performance was well received; but the undistinguished net effect was a lesson in the importance of small Mahlerian details. Mahler's notoriously finicky markings aren't expressions of personal taste, but guides to making the score work. Vital clues to bonding or advancing a tempo are ignored, as were many dynamics "hairpins" (even the impressive Miss Quivar sinned in such respects). The towering march of Pan lost its elemental force, and arguments became simple sentiment. Fluffy horns

and an unsited oboe didn't help. The Symphony sounded overwrought and a bit crude, which it isn't.

DAVID MURRAY

To have to follow the Concertgebouw, in miraculously refined and glowing form under Haitink, made on Sunday at the first of the Israel Philharmonic's concerts, for a most unfortunate succession through every note of the orchestra of the opening account of Berg's Three Orchestral Pieces, Op. 6, were removed from any such high level.

Even when measured according to more appropriate standards, however, the performance left a distressing amount to be desired. Mehta showed no apparent awareness of or concern for Berg's formidably brilliant and precise scoring. Let alone the intention behind every note and marking, individual lines were left limp and straggling, not vigilantly

placed within a larger dramatic scheme of graded voices; dynamics were subject to the bluntest simplifications. The reading of the Schumann D minor Symphony that followed was, if anything, more inadequate still. Again, one was tempted to ascribe full blame for the chain of musical indecencies to the conductor. An orchestra plays only as well as its conductor insists; to hear those wonderfully characteristic ritenuti in the second movement—those sudden admissions of Schumannesque doubt or wonderment—reduced each time with a screech of brakes to musical illiteracy appeared as a mark of Mehta's musician-ship. Luckily, after this exceedingly uncomfortable first half, relief was at hand in the form of Daniel Barenboim's command of the Brahms D minor Concerto piano part. From the soloist there seemed to emanate an authority and sense of purpose so notably absent

earlier, and though the accompaniment was seldom the equal of his beautifully limpid sense of touch and phrase, the experience proved truer to the composer in question than those of Berg and Schumann had done.

MAX LOFFERT

Joint sponsorship for Scottish Opera's 'Idomeneo'

A group of companies will co-operate in sponsoring Scottish Opera in what is believed to be the first deal of its kind in Britain. The joint commercial sponsorship agreement, worth £20,000, will help finance the Scottish Opera production of *Idomeneo* which will be seen in Glasgow in October. Those involved in the joint sponsorship are Macgregor, the Mielke Scottish Brewers, the Trustees Savings Bank, British Airways, Scottish Gas, the Bank of Scotland and the Fraser Foundation.

Arts Guide

Musical Monday. Opera and Ballet Tuesday. Theatre Wednesday. Exhibitions Thursday. A selective guide to all the Arts appears each Friday.

Theatre

LONDON

The Tempest (Barbican): Derek Jacobi takes a short respite from his recent triumph as Cyrano to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An enterprising production. (020 87195)

Tales from Hollywood (Lyttelton): New Christopher Hampton play about the European emigrés working in Timeshow during the war. As a linking Stoppardian device, Odan van Horvath appears alongside Michael Gambon's impersonation of Brecht. (020 2252)

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (030 2660-143)

A Parted For Me (Haymarket): Alan Bates leads a wonderful revival of John Osborne's masterful play about sexual and conspiratorial intrigue in the Austro-Hungarian empire. A rich tapestry, with a famous drag ball scene at the centre. (030 9952)

Great and Small (Vaudeville): Glenda Jackson in top form as an urban lady on the brink. Keith Hack's production is very fine, and London has just justice to Bobo Strauss, one of West Germany's leading young playwrights. Pessimistic material but a highly entertaining and

above all different, sort of evening. (020 9952)

Song and Dance (Palace): Surprise hit at the Palace, newly acquired by the show's composer Andrew Lloyd Webber. Lulu now sings, Marianne Elliott dances. Overlaid middle-brow distill. (020 6834)

Blood Brothers (Lyric): Strong rock melodrama by Willy Russell about Liverpool twins separated at birth. Pop star Barbara Dickson, very like a young Grace Fields, is superb as their grief-wracked mother. (020 3688)

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Carter novels: gym sluts, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Sipping if you're in that sort of mood. (020 1582)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and top-dress replacement cast. Michael Blake's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (020 9952)

The Pirates of Penzance (Drury Lane): Routinely vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. (030 8108)

NEW YORK

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like *Evita* and *Cats* before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not

the hoopla, apart from the first-act finale in a *Guizi Parisienne*, but the intimate moments borrowed direct from the film. (020 2638)

Night Mother (Golden): Marsha Norman's harrowing drama of a young woman's last hours before committing suicide in her mother's home makes for the intellectuals' form of sensationalism, with powerful acting by Kathy Bates and Anne Pitoniak, directed by Tom Moore. (020 6200)

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately lush and leggy hooding by a large chorus line. (020 9420)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to openness incorporates all the wild histrionics in between, down to the confrontation with his dying Jewish mother. (020 9420)

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (020 6200)

The Corn is Green (Lunt-Fontaine): Enlyn Williams' 1940 comedy about a middle-aged spinster who goes to Wales to start a school is the second offering of Elizabeth Taylor's new repertory company, which, without a role for Miss Taylor, has a cast led by Celys Tyson, directed by Vivian Matalon. (020 9420)

bedecked and elegant National Theatre production of Mozart's life. (020 4072)

Agnes of God (Music Box): The fiery trio of Geraldine Page, Diabann Carroll and Lily Knight enliven a somewhat over-written dash of ideologies. (020 4638)

Nine (5th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (020 1248)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of *Nicholas Nickleby*, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish recreation of the London hit. (020 8262)

Extremities (West Side Arts, 43rd St, 8th Av): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast. (020 6944)

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an ebullient cast in the remake of Rogers and Hart's 1928 send-up of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (020 7570)

touching childhood reminiscence now that the Nederlander organization generously decided to name the theatre after the generation's outstanding box office draw. (020 8645)

WASHINGTON

Wind in the Willows (Folger): Composer William Perry and lyricist Roger McGough chose a wonderful old chestnut to turn into a musical to add a new generation's appreciation of Rat, Mole, Badger and Toad to the Toot Hall. Ends Sept 18 (020 2230).

American Buffalo (Terrace): Al Pacino's humane and lively performance gives a wholly new and fresh look to David Mamet's best-known version of American life with larceny in its heart, as directed by Arvin Brown of the Long Wharf Theatre. Ends Sept 25. Kennedy Center (020 4608).

CHICAGO

Flash in the Pan (Theatre Building): The inaugural offering in Paramount Pictures' venture in supporting the Apollo Group's new-play series came to relief Groom and fairy tales. The writers-performers are veteran nightclub artists, Denise De Clue, Jeff Berkson and John Krasinski. 1225 W. Belmont (020 5232).

E.R. (Organic) (319 N. Clark): This hit-and-miss local company has a long-running success with an earnest parody of hospital-based melodrama, starring Gary Houston as an ambitious young doctor, Shuko Akure as the receptionist and Lily Monkus as the authoritarian nurse. (020 5580).

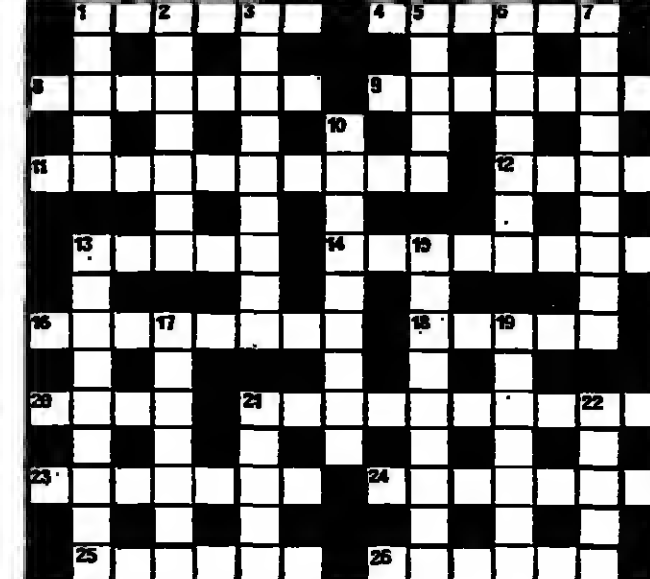
F.T. CROSSWORD PUZZLE No. 5216

ACROSS

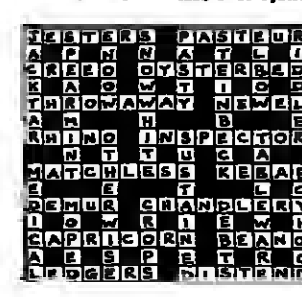
- 1 Leave car at home? That takes the cake! (6)
- 4 Drum for piper's son (3-3)
- 5 Object in paper (7)
- 9 Owl's call for loose stones at church (7)
- 11 Beadle giving nutmeg to his mother? (4-6)
- 12 Side or headlights (4)
- 13 Came across nearly everything like gold (5-4)
- 14 A king's daughter—good heavens!—was ill returning (6)
- 16 What makes the crew d— miserably? (8)
- 18, 20 Poor sort of wedding for musician? (5, 4)
- 21 Wide bore? That's wrong—but perhaps he will if you do this to him (10)
- 23 Draw island train (7)
- 24 Unselfish piety gives something to eat (4, 5)
- 25 We got it, you stinker, do you bear? (6)
- 26 Seize a pole naturally, as they say (8)

DOWN

- 1 Standard degree in place of cheese (5)
- 2 Clothing item without purpose (7)
- 3 Not being well, I shall start with toast, perhaps (3, 6)
- 5 Wilde has a very large moustache (5)



Solution to Puzzle No. 5215



THE WAR IN LEBANON

Syria seizes its chance

By Patrick Cockburn in Beirut

In a week of fighting, Druze militiamen have defeated Christian forces in what has become known as the Mountain War. In doing so, they have changed the political map of Lebanon, depriving the Christians of advantages they thought they had won as a result of the Israeli invasion last year.

The Syrians are rapidly regaining their old positions of primacy in Lebanon, forcing the battered Lebanese government to look with increasing desperation to the multinational force and to Washington to buttress its crumbling position. A naval armada has assembled off the coast, its guns pointing at Druze positions in the mountains, but it is still unclear how far the U.S. is prepared to get sucked into the Lebanese quagmire.

For now there is a mood of victory in the towns and villages of the Moslem Druze which straggle along the sides of the steep mountains rising

Equipment was being doled out to every man of military age

to the southeast of Beirut. In village squares over the weekend, equipment was being doled out to every man of military age. Most shops were closed and where they were open the owner was often wearing khaki uniform and carrying a sub-machine gun.

In the streets of Baqline, key to the blockade of Deir el Qamar where 25,000 Christian refugees are cut off, portly Druze dignitaries in traditional baggy black pants and white tees could be seen clutching their Kalashnikov rifles. All civilian trucks have been pressed into service to bring these levies to the front, and my car had to back up a narrow village street to let pass a yellow truck towing an anti-tank gun.

"Where we asked for 30 men from a village," said a Druze political leader, "they sent us 60." The number of militiamen milling around the small town seemed to bear him out. The



Bob Hutchinson

Druze clearly have more than the 2,000 militiamen which was their estimated military strength at the start of these battles. There were no signs of Palestinians, Syrians or other foreign troops in the Shouf mountains themselves, though they are evidently present further north around Bzandoun.

The Druze themselves may be surprised by the extent and speed of their own victories in this latest episode of Lebanon's simmering civil war. Now the Druze and their Syrian allies have to make a critical choice which will determine the future political shape of Lebanon. Will they be content with defeating the Christian militia, who only entered the Druze mountain strongholds on the heels of the Israeli army last year? Or will they try to crush militarily the government of Lebanon's Christian President Amin Gemayel?

The answer to this question will have repercussions far beyond the mountain villages of Lebanon. Already the actions of the Druze have brought American and French aircraft carriers to the Lebanese coast in a bid to protect the 5,000 strong multinational force and prop up President Gemayel's beleaguered regime. He needs all the support he can get.

An all-out Druze assault on Souf al Gharb, a key position held by a Lebanese army mechanised brigade, might lead

to the U.S. sanctioning air support for President Gemayel's men. Souf al Gharb is the army's only position of strength in the mountains to the south. A defeat here might lead to the Lebanese Government forces, already stretched very thin, beginning to unravel.

The great change in the situation since last year is that Israel is largely silent. Jerusalem has all but abandoned its old alliance with the Christians of Lebanon which was a centrepiece of the foreign policy devised by Mr Menahem Begin as Prime Minister after 1977. With its withdrawal to the Awali River north of Sidon 10 days ago, Israel ceased to be the predominant power in Lebanon. Its allies are now paying the price for this.

The balance of power is changing back nearer to what it was before Israel's General Ariel Sharon besieged Beirut last year. Syria is moving to fill the political vacuum left by the Israeli withdrawal, and the Druze—their allies—are taking over the 600 sq kms of broken and mountainous terrain Israel vacated.

The seriousness of the Druze onslaught seems to have caught the Christian militiamen by surprise. Their leaders were forced out of the crucial town of Bzandoun, a mountain resort high above Beirut in the first days of the fighting, allowing the Druze to link up with the Syrians on the Beirut-Damascus highway. At least 39

Christian villages have fallen and the few scattered redoubts still held by the Christians south of Beirut cannot hold out for long.

Many Christians now blame their own militia, a well-trained private army, for what has happened. The Druze did not fight the Israeli army last year. It was only when 2,000 Christian militiamen moved in the initial protection of Israeli tanks that the 250,000 Druze community really began to feel threatened and to fight back.

The Christian move into Druze territory doomed the chances of a new political consensus emerging in Lebanon. It alienated the powerful and united Druze community which felt its very existence under threat. Syrian President Assad gave an immediate opportunity to exploit these fears as he sought to regain his old position as the predominant foreign power in Lebanon.

Over the last year Assad has given the Druze as much arms and as much equipment as they want. The Druze have thus been able to keep up sustained artillery fire. Trucks with supplies pour through Bzandoun on their way to the mountain town of Alei overlooking Beirut.

The real winners in the last week's fighting, however, apart from the Druze themselves, are the Syrians. Any ceasefire and peace agreement arranged by Saudi mediators will inevitably

lead to a government heavily weighted towards Syria. The most important sticking point between the two sides at the moment is the Syrian demand that the Lebanese army pull out of its positions in the Shouf and around Alei.

In practice the regular Lebanese army has few enough units in the mountains but a total pull-out would mean the Government giving up Souf al Gharb and some other heights around Beirut. Having fought hard here the government does not want to do this. For in contrast to the Christian militia, the army has so far performed better than expected.

The draft peace plan now being discussed seems to meet most of the Druze and Syrian demands. But this may not be enough. Nobody, not even the Americans, knows how far the Syrians want to go," said a diplomat in Beirut yesterday. "Damascus may want the Druze to win a complete military victory or at the very least to sweep down on the coast road

Critical choices which will determine the future of Lebanon

linking Beirut to the new Israeli positions and the city of Sidon.

The Druze leaders, such as Mr Walid Jumblatt, seem to be serious that they have to keep some sort of government in being in Beirut at least for now. It is, for example, significant that they have not called on Druze troops in the army to desert. Mr Jumblatt vetoed an attack on Deir el Qamar where 25,000 Christian refugees are surrounded by the Druze.

In any other country than Lebanon the basis for a ceasefire and a new modus vivendi would now seem to exist. The problem in Lebanon is that there are so many parties to the civil war that not everybody can be satisfied at once. And without such an agreement the mountain war may soon spill into the rest of Lebanon, igniting a wider civil war which will almost inevitably suck in the multinational force.

Britain's Economy

Time to bring back exchange controls

By Jack Straw, MP

IDEOLOGY apart, there was a practical justification for the 1979 decision to abolish exchange controls. This was that restrictions on the flows of capital abroad had to be lifted if the then prospective oil-based structural surplus of the current account of the balance of payments was not to send sterling through the roof.

But has the lifting of controls worked out as intended? The flow of UK capital overseas certainly turned into a flood in a remarkably short time, but sterling still went through the roof. Today, despite the fall last winter, the pound remains at uncompetitive levels, with the Confederation of British Industry pointing to a 35 per cent deterioration in competitiveness since 1975 against our non-U.S. competitors.

Domestic interest rates are more exposed than ever to international pressures, and show little sign of any fall despite their unreasonably high levels. The confident predictions made when the controls were lifted that the startling jump in overseas—and especially portfolio—investment represented a simple one-for-all adjustment by the institutions which would not be sustained for more than a couple of years has plainly been confounded by events.

Total UK private overseas investment for the first half of 1983 at £5.5bn, was the highest yet—£2bn more than total UK manufacturing investment over the same period. Above all, the oil-based structural surplus is now disappearing as fast as snow in summer. The £33m current account deficit for the second quarter was the largest since 1979; the Government's March forecasts of a £1.5bn surplus for the whole of 1983 will plainly not be met.

So, it is time to examine whether exchange controls should not now be reimposed. Paradoxically, one of the principal arguments for the reintroduction of controls derives directly from the analysis which lay behind the decision to abolish them.

The assertion made frequently by Ministers since 1979, that if counter-balancing capital flows

had not been facilitated by the abolition of controls, sterling would have been even higher, may well be true; but only as far as it goes. It rests on the pivotal assumption of other things being equal, that no compensating adjustments in the other factors which influence the exchange rate would have been desirable or possible.

But a moment's thought ought to show that this is simply not the case. The relative level of interest rates and the overall level of economic activity are two other obvious influences upon the exchange rate. For a given level of sterling (and the Government's case for abolishing controls presupposed an exchange rate target range, whatever denials of this they

The UK apart, only Hong Kong, Kuwait and the UAE have no restrictions whatever

may make) with controls in place the Government could either have run the economy at a higher level of activity or have been able to maintain interest rates at a lower level than they otherwise were.

Although fund managers and bankers with whom I have discussed this point remain almost unanimous in their continuing support for freedom for capital flows, they have been equally and perhaps surprisingly unanimous in their judgment of the domestic interest rate "premium" which has been one price for that freedom.

In addition, the Bank of England Quarterly Bulletin (September 1981) suggested in an analysis of overseas capital investment by pension funds that this had largely been "at the expense of investment in British Government securities."

The clear implication was that the author acknowledged that had exchange controls then been in place, the Government's foreign borrowing—could have sold its debt at lower rates. It seems to me to be incontrovertible, given this Government's use of interest

rates as an instrument of policy—that they could have used them—and exchange controls—in the way I suggest.

I am under no illusions that the effect of the reintroduction of exchange controls could be anything but marginal. They could not insulate UK markets from the effect of much stronger forces in the changes. As we are so often reminded by Treasury Ministers, controls did not prevent sterling's fall in 1976. But controls could help. They could help keep the pound more stable (and its instability has almost been as much of a problem as its misalignment). They could assist in the management of domestic interest rates, especially if monetary targets were given the subordinate role they deserve in economic management. And the original justification for the controls, that is that they help protect the reserves, remains valid.

Exchange controls are a tool and a safeguard which no government running an economy like ours should be without. Countries with economies of a similar size, for example, France and Italy, as well as some which are conspicuously larger and more successful, such as Japan, have all found it necessary to maintain controls.

Indeed, the IMF 1982 survey of exchange restrictions showed that, the UK apart, only Hong Kong, Kuwait and the UAE have no restrictions whatever, and only the U.S., West Germany and the Netherlands had virtually none. The U.S. and West Germany are plainly in a quite different economic league from us.

Those who still support the continued abolition of controls must answer this simple question: What good has their abolition done the real British economy? Of course, exchange controls are in no sense a magic wand, but their reintroduction would be beneficial to the real economy; and a beneficial effect, however marginal, is not to be ignored given the fragile state of the UK economy and the mirage of its current recovery.

Jack Straw, MP for Blackburn, is a Labour Treasury spokesman.

Letters to the Editor

Great expectations of early pension leavers

From Mr H. Wayne-Griffith

Sir—The problem of early pension leavers is that they expect more than that to which they are entitled. Mr Plender's first sentence (September 10) refers to "balancing the pension rights" of an early leaver. It is this careless phraseology that has contributed much to the exacerbation of the problem. No one's rights are diminished—it is the expectations of the early leaver that are diminished.

The erroneous impression is given that it is the "pensions industry" that has caused the problem. Not so, it is simply that the former employer of an early leaver cannot or will not spend the money to provide greater benefits.

The Centre for Policy Studies has contributed in a particularly negative manner to the "debate" with its slim, ill-conceived and technically lacking report on "portable pensions." Everyone (virtually) has a portable pension at present. The argument revolves about how much that pension is, not about its portability. By some illogicality the Centre implies that a money-purchase pension will solve all problems (including ideological ones about making up all mini-capitalists). This is simply not so (although these columns are not the correct place to explain why).

Mr Plender is wrong in stating that the present structure has to alter for a man to receive a 70 per cent pension when he retires. After allowing for the basic state pension and

for the incidence of income tax a man on £12,000 will receive 67 per cent of his net income if he retires from a conventional pension scheme on a pension amounting to 40 per cent of his final pay. One can argue that there is scope for some loss due to transferring employment—even under the present system.

Many critics forget (if they knew in the first place) that the guaranteed minimum pensions in pension scheme members are inflation-proofed already. The excess may well be increased in future if investment performance permits this to be done at acceptable cost to the former employer.

The pattern of pension scheme design in future may well take the form of lower pensions but with inflationary increases. Not much of a redistribution is necessary to save up to meet its promises in the way that hard-pressed employers are required to do. Let's see the government do something about state pensions especially the absurd earnings-related element before it's too late. These benefits represent something like half the salaries of employees not in good company schemes. A good company pension—or, for that matter, an indifferent one—is no more than the icing on top of the state cake. Unfortunately,

we were determined to avoid similar harassment by the electric meter readers militia. Our solution was to ask the Board to please move the meter to an outside porch where it could be read without having to enter the premises. This it kindly did, for a small fee.

Before Dr Scotney rushes to do the same, we should point out that it has made not a scrap of difference! The meter readers still leave rude notes (without asking the neighbours—who have a key anyway) and we get hysterical letters about "estimated" bills and possible dire consequences. We are hoping that, after a year of patient phone calls to the local office, the news of our outside meter will finally have trickled down to those assigned to read it! Slender hope!

John and Jane Nicholls
The Old Rectory,
School Lane,
Islip, Northants.

Meter readers miss the porch
From J. and J. Nicholls
Sir—Our hearts were wrung by the tribulations of Dr Scotney (September 6). When we bought our present house,

Carrots instead of sticks

From Mr J. Bourlet

Sir—Talbot/Chrysler's recovery following government aid should indeed, as Richard Lambert suggests (September 9), give pause for thought to ardent free-marketiers.

When recently in Japan I was impressed by that country's concept of "competition" which is an ongoing, endlessly played game of woeing the consumer by contestants who, if dealt a mortal blow by fate or understandable error, should be resuscitated, and brought forward to fight on again. By contrast, they reject the "Wimbledon model" where players knock out opponents progressively until there is just one supreme monopolist victor.

Of course the problem is to distinguish between such valuable intervention and aid for firms in hopelessly declining sectors (who refuse to diversify), aid to nationalised monopolies, or aid to firms whose managers (team no longer possess the ability to compete.

But it does seem that free-marketiers should think more about the "carrot" of success than about the "stick" of bankruptcy in valuing competition, should consider more seriously Hayek's notion that "competition is a discovery process" and use their strength for attacking, not the occasional intervention in manufacturing, but the outrageous wholesale subsidy of agriculture and protective measures for all textiles and quota restrictions on car imports, etc.

James Y. Bonillet,
Business Studies Unit,
School of Business, Economics
and Social Studies,
84 Moorgate, EC3

County court staff cuts

From Mr N. Cawood

Sir—I refer to various reports regarding county court staff cuts.

I understand the cost of the administration of the county courts does not ultimately fall on the taxpayer as the fees expected to be received by the courts this year will exceed the cost of running them by about £11m.

Why then is the Government making these cuts?
Norman Cawood,
Finex and Co.,
38 Queen Street,
Scarborough, Yorks.

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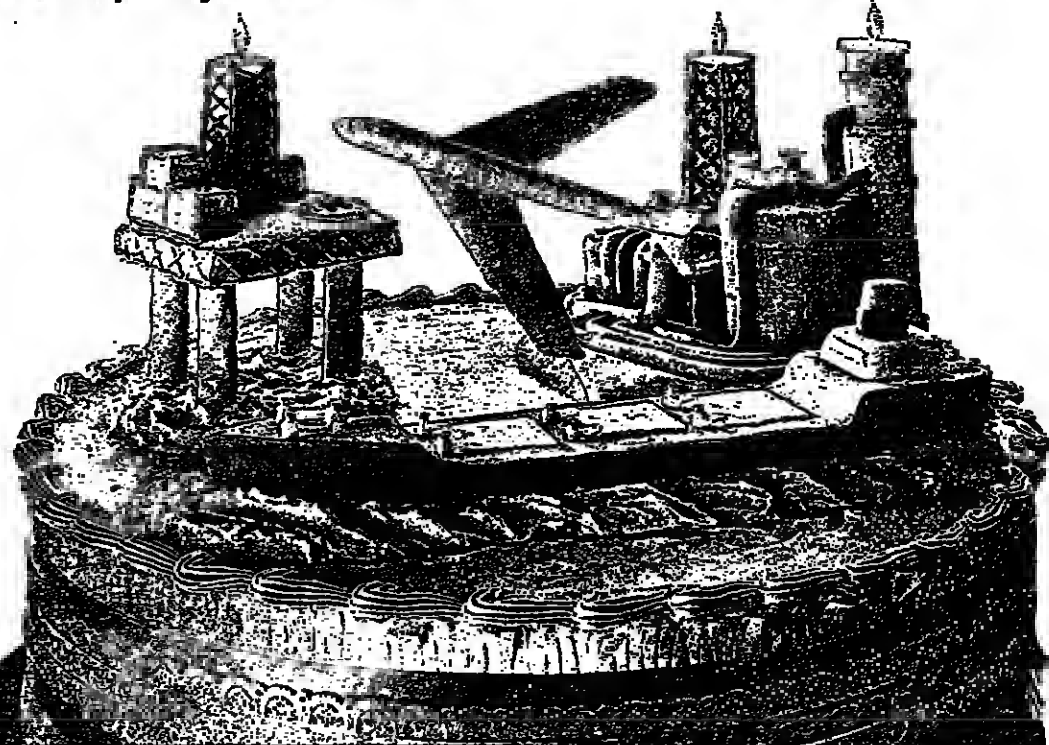
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Interpreting the EEC budget

From Mr R. Kitzinger

Sir—Once again your Common Market experts (The EEC Budget, August 30) have minimised the gravity of the financial burden imposed on us by the EEC. They introduce the budget problem by stating that the EEC receives its revenue from charges on member states' imports, "and a share equivalent to up to 1 per cent of their VAT revenues."

Ordinary mortals will infer from this that Brussels gets 0.15 per cent out of our 15 per cent VAT, leaving 14.85 per cent for Mr Lawson. The truth is that the EEC receives a VAT of (up to) 1 per cent on an assessment basis which is determined according to EEC rules. In effect it is a tax of 1 per cent on the gross national product, and is equivalent to something like a 2 per cent

VAT of the British type, leaving only 13 per cent for the British exchequer.

Later in the article there is a technically correct reference to the same matter: "In 1978, for instance, states paid in only 0.64 per cent of the VAT-assessed revenues." This implies that the authors are aware of the true position, but it is not clear enough to erase the erroneous impression created by the first reference.

The only genuinely enlightening part of the article was the cartoon by Daley.

R. Kitzinger,
31 Oakwood Court, W14.

CALL FOR STRONGER LEADERSHIP OF SWEDISH STEELS GROUP

Bid to replace Sandvik board

BY KEVIN DONE AND DAVID BROWN IN STOCKHOLM

IN AN unprecedented corporate battle, the Swedish industrial and financial establishment is seeking an extraordinary meeting of shareholders in Sandvik - the leading Swedish special steels group and one of the country's top 15 companies - with the aim of removing the entire board.

In the first half of this year Sandvik, which had sales in 1982 of Skr 9.3bn (\$1.18bn) has slumped sharply into loss under the burden of heavy restructuring costs and recently discovered unauthorised currency speculation by a top executive who had covered up extraordinary losses totalling Skr 218m.

The call for a special meeting of Sandvik shareholders is seen as a move to curb the influence in the company's affairs of Mr Jan Stenbeck, the controversial Swedish businessman and financier and Sandvik's vice-chairman. He is already involved in another boardroom controversy at the Fagersta steel group and the Kinnevik investment company, whose shares were suspended on the Stockholm Stock Exchange nearly two weeks ago.

The move to replace the Sandvik board is being led by Skanska Cementgjuteriet, one of the Nordic region's biggest construction and investment groups, which has emerged in recent weeks as the largest single shareholder in Sandvik with a stake of around 20 per cent worth some Skr 807m.

Skanska said in a statement that it had written to Sandvik requesting a special shareholders' meeting to elect a new board.

"The reasons given were disquiet over the development of the company and the need for a stronger industrial leadership," it said. Skanska said the new board members should be unconnected with other interest groups that are also involved in discussions on the restructuring of the Swedish steel industry.

The board membership of both Sandvik and Fagersta, which had sales last year of Skr 2.1bn and losses of Skr 20m, is almost identical. Both companies, which would strengthen their links under the steel industry restructuring plans, have been seen hitherto as part of

the sphere of influence of Mr Stenbeck. With associates, Mr Stenbeck owns substantial holdings in both Fagersta and Sandvik through the investment company Kinnevik.

Mr Stenbeck is engaged in a fierce family struggle for control of Fagersta and Kinnevik, at an embarrassing time for Swedish industry.

Leading Swedish industrialists are trying hard to present an acceptable face to the Swedish public in a last-ditch effort to halt the Social Democratic Government's plans for the introduction of wage-control funds, which would substantially extend the influence of the trade unions in corporate decision-making.

Some of Sweden's most respected executives are expected to be brought in as potential members of a new Sandvik board, they include Mr Percy Barnevik, chief executive of Asea and a former executive vice-president of Sandvik, Mr Hans-Eric Övin, chief executive of Sonosson, a Volvo subsidiary, and Mr Sven Agnorp chairman of Aga and a leading member of the board of Svenska Handelsbanken.

Sweden's two leading private commercial banks, Skandinaviska Enskilda Banken and Handelsbanken, have been instrumental in helping Skanska Cementgjuteriet in recent weeks to purchase shares to build up its new position of dominance in Sandvik.

It is thought that Skanska will be backed by a number of Sweden's leading institutional investors who are also shareholders in Sandvik in an attempt to oust the current Sandvik board.

Mr Ulf Lundman, a top executive with Skanska, cited Sandvik's foreign acquisitions programme as a major cause of the heavy losses. "We're not prepared to sell out because of this management," he said, "we want Sandvik to live up to its possibilities."

Skanska Cement doubled its profits before tax and allocations last year to Skr 1.5bn on consolidated sales of Skr 11.1bn. A large portion of company earnings come from investment activities, and Mr Lundman estimated the company's liquid assets at about Skr 6bn.

U.S. retail sales fall by 1.4% in August

By Anatole Kaletsky in Washington

U.S. retail sales declined by 1.4 per cent in August, the Commerce Department reported yesterday, adding to the evidence that the pace of the U.S. economic recovery is beginning to moderate.

However, the decline, which was the largest since a 2.4 per cent fall in June 1982, was due entirely to a sharp drop in car purchases and does not suggest a general weakening of the U.S. economy, or a return to recession. Many car dealers have reported in recent weeks that the market is deteriorating as a result of long waiting lists and shortages of cars in showrooms, rather than because of weakening consumer demand.

The breakdown of yesterday's retail sales figures appears to confirm these stories. While car sales fell by 9.2 per cent in August, sales of all other retail items rose by 0.5 per cent, suggesting that underlying consumer demand remains reasonably robust.

Revised figures for July showed a decline in overall retail sales of 0.2 per cent, rather than the figure of less than 0.1 per cent originally reported. This decline was also concentrated in the car market, which showed a fall of 0.8 per cent.

However, in a separate report issued yesterday the Federal Reserve Board said that consumer credit jumped in July by a record \$4.8bn, with most categories of loans, including car loans, increasing considerably faster than in the previous month.

French proposals for EEC tariff wall

Continued from Page 1

communication or television satellites, the new energies and the exploitation of the oceans.

● The adoption of common norms in Europe for new products and the opening up of public purchasing within individual countries to all European manufacturers;

● A "significant, but temporary increase" in EEC external tariffs to help the development of infant high-technology industries of the future. But in reference to France's quarrel with Britain over what the French consider the unduly high Japanese content of several products manufactured in Britain, the paper says that a firm distinction must be drawn between genuine European products and those assembled in Europe from imported components;

● A revision of competition laws in Europe to enable European companies to attain the size of their international rivals. The paper notes critically that European companies are favouring link-ups with non-European counterparts and proposes legal changes to make it easier to establish pan-European companies;

● New European-wide infrastructure projects including the Channel tunnel, an extension of the European high-speed train network, European data banks and intra-European energy networks.

The French are liable to be accused of hypocrisy by their partners in many of their proposals. France, for instance, practises a more nationalistic public purchasing policy than most of its partners.

The document leaves little doubt that France is prepared for a heavy clash with Britain over their differing concepts of the future of Europe. It ends by asking what future European generations would say if at such a critical moment in Europe's history, the EEC let itself be dragged down by squabbles over the EEC budget or over "a fair return" - a direct reference to Britain's demands for compensation

THE LEX COLUMN

Tilling returns direct to Go

BTR has had no difficulty in laying to rest the £35m profit forecast made by Thomas Tilling at the height of the bid battle. A run through the books of the Tilling energy equipment business in the U.S. has resulted in a stock write-down of no less than £30m, leaving Tilling with a pre-tax loss of £1.4m for the six months to June.

This at least provides BTR with a satisfactorily low base from which to build a fresh earnings record for Tilling. Even leaving aside energy equipment, Tilling's operating profits represented only 4.8 per cent of sales in the six months. To drag that figure anywhere close to the BTR norm will take years but, with almost all the divisions now pointing in the right direction, BTR should bring Tilling's return on sales to around 10 per cent in the first full year of consolidation.

BTR itself has provided an interim statement which, while characteristically short of detail, underlines the group's ability to earn high returns in dull markets. Volume fell across the board during the six months to June. Yet operating profits totalled 11.8 per cent of sales and, after lower financing costs, profits before tax were a fifth higher at £58.3m.

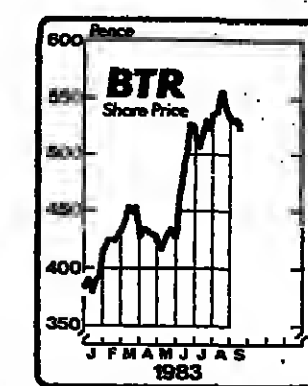
BTR's first priority, however, must be to extract cash from its sprawling acquisition. The year-end balance sheet of the combined group will show net debt equivalent to at least 85 per cent of shareholders' funds. And even that ratio assumes that BTR can extract close to £100m of book revaluations from Crown House and other Tilling assets.

The easy option would be to sell Tilling assets, but BTR seems determined to retain the existing stable of companies.

A debt/equity ratio of 40 per cent at the end of 1985 appears to be the BTR target. To secure a gearing reduction of that magnitude through trading alone will put even the management skills of BTR sorely to the test. The stock market, however, is all confidence. Even after a 12p fall to 520p yesterday, the share price stands 25 per cent above the level reached on the day of the first full offer for Tilling.

Bowater

Awareness of the cyclical upturn in the U.S. newspaper market since February enabled Bowater to emerge unscathed from yesterday's



good. In the year to June, Consolidated Gold Fields earned a current cost return of 20 per cent on the funds employed in its gold operations, turning what might have been an awful year into something wholly respectable.

Net profits fell 22 per cent to £57.2m but the whole of this drop is attributable to the absence of non-recurring tax and interest items which flattened the previous year's figure. This time, the non-recurring items are mostly in the other direction. Consolidated's hasty exit from drilling rigs and steel distribution in the U.S. still not complete, has produced a loss of £13.5m in the manufacturing and commercial division, rescued by the strong performance in gold mining and aggregates.

The mining cycle is moving decisively in Consolidated's favour but, with the group's dividend cover watertight and the overall cash outflow continuing, shareholders may be kept waiting for a dividend increase. At last night's price of 819p, the yield is 5.8 per cent.

British Aerospace

The British Aerospace share price has been hedge-hopping for some time now, on the back of pessimism from aerospace component manufacturers, lack of any substantial ordering from major airlines, and the expectation that the loss of closing the Hurn factory would bear heavily on this year's profits.

Yesterday's interim announcement did a good deal to dispel this gloom, lifting the shares 15p to 190p against a still market headwind. Reorganisation costs of £15m, taken above the line, still left room for a 10 per cent gain at the trading level, and while net interest continued to dwindle, the pre-tax figure was barely lower at £36.5m.

The basis for this unexpectedly steady performance was the military side, where there is a stable workload from Tornado and a good flow of orders for missiles. There have also been signs of a pick-up in demand for the smaller civil aircraft, although a solid order for the BAe 146 has still to appear, and there is no question yet of BAe deciding to write back its £100m provision against losses on civil aircraft.

Nevertheless, with more sales accruing in the second half and a thinner tranche of closure costs, BAe could see a pre-(and post) tax profit of £80m this year.

Consolidated

Gold mining may be cyclical but when it is good, it can be very, very

Argentina asks for extension on loan

By Jimmy Burns in Buenos Aires

ARGENTINA has asked its foreign bank creditors for a 30-day extension of a waiver on \$300m that was due to be repaid this Thursday, amid a continuing hold-up in the rescheduling of its \$39bn debt.

The sum is the first tranche of a \$1.1bn short-term bridging loan agreed last December to help Argentina bring interest payments up to date. Repayment of the first tranche has been held up because of delays in the disbursement of the \$15bn medium-term loan and the refinancing of \$6bn of state and state-guaranteed debt intended to complete the package.

Reserves have dropped in recent weeks because of the under-invoicing of exports - a speculative reaction to the widening gap between the official and the "black" rate of the dollar on the local foreign exchange market. An estimated \$800m in trade flows has been either lost or delayed.

Citibank, which is head of the committee of banks renegotiating Argentina's debt, said in Buenos Aires yesterday that it had passed on the central bank's request for an extension in a letter to foreign creditors last week. The general response so far was described as positive, but there are still some unnamed banks that are linking the extension to an acceptable solution to the current problems of Celulosa Argentina, the ailing paper manufacturer.

A local court decision has excluded foreign creditors from a refinancing plan expected to be put to a creditors' meeting this Friday. Celulosa has total debts of about \$300m, of which \$100m is owed abroad.

Foreign bank creditors have been looking for ways to put pressure on the Argentine Government to ensure they are fairly treated in any solution to Celulosa's problems.

In a related development yesterday, central bank governor Sr Julio Gonzalez de Solar urged the country's politicians to participate in preliminary talks on the rescheduling of some \$10m in debt falling due next year.

The central bank is worried by the opposition's continuing refusal to address themselves to the debt problem as long as the current military Government remains in power. Argentina will have elections on October 30, although the armed forces are not due to hand over government until January 30 next year. Some payments will be maturing from January 1.

Outgoing Lloyds chief in move on insurance loss provisions

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

SIR PETER GREEN, the leading Lloyd's insurance underwriter and outgoing chairman of the market, has told his underwriting members that millions of pounds of their funds lodged offshore will be used to meet future trading losses in their insurance affairs.

Most of a £34m (\$50.8m) increase in the provisions for future losses of Lloyd's of London insurance underwriting interests managed by Sir Peter will be met by funds lodged with two insurance groups, including an offshore company in which Sir Peter has an interest.

Sir Peter has disclosed the reinsurance arrangements made for his Lloyd's interests with the Cayman Islands company, the Imperial Insurance Company (Grand Cayman) as part of a commitment he gave earlier this year, along with other members of the Lloyd's ruling council, that their insurance business interests would be disclosed to members whose affairs they handled.

Sir Peter is chairman of the Janson Green underwriting agency,

part of the Hogg Robinson Group, in which he is also the largest private shareholder and which holds a 20 per cent stake in Imperial.

Through Lloyd's press office Sir Peter said yesterday that he could not discuss private correspondence between himself and the affairs of the members of Lloyd's he handled "with the outside world."

In his letter Sir Peter outlines what he describes as a "special reinsurance" arranged in the form of "somewhat esoteric policies" with the two companies, Montagu Insurance and Reinsurance Company, unrelated to his interests, and Imperial Insurance Company.

He says: "The problem from the underwriting agents' point of view has been to justify to the (Inland) Revenue, if challenged, that reserves for unreported losses are proper reserves and not tax avoidance. Thus schemes to overcome this problem had great attractions."

He explained that his insurance syndicate had enormous concentration of insurance risks, particularly

arising from windstorm damage in the Gulf of Mexico and liability business.

Sir Peter says the contracts were arranged using syndicate funds as a "funding type reinsurance."

The scheme, which was started in 1970 when Sir Peter was a director and small shareholder of Imperial, then based in the Bahamas, allowed insurance premiums paid out of the syndicate and not used meet insurance claims made by the syndicate under the policy "to be carried forward and added to the value of the policy for subsequent years."

Sir Peter says that if the Inland Revenue had recognised that the usual reserves for unreported losses which were created were proper reserves there would have been no further need for this special type of reinsurance after 1972. He has said the policies have now been exhausted, having been used to meet claims on liability insurance business, computer leasing and asbestos claims.

Howden inquiry, page 7

Zimbabwe to probe army brutality

BY MICHAEL HOLMAN IN HARARE

THE ZIMBABWE Government announced yesterday that a committee of inquiry is investigating allegations of army brutality against civilians in Matabeleland province earlier this year.

The Minister of State for Defence, Mr Sydney Sekeramayi, told journalists that the four-man committee, chaired by a former white army officer, Brigadier Mike Shute, and including three black Zimbabwean lawyers, had begun work in July.

Yesterday's press conference pro-

vided the first public disclosure of the inquiry and comes as Zimbabwe's human rights record is under heavy criticism.

Last month six white air force officers, tortured while in custody, were cleared of sabotage charges by the High Court, but immediately re-detained. Two of them were subsequently released last Friday.

The issue is thought to have been raised in yesterday's talks in Washington between Mr Robert Mugabe, Zimbabwe's Prime Minister, and President Ronald Reagan.

The allegations of brutality stem from the operations of the North Korean-trained Fifth Brigade in January and February this year. The Zanu leader, Mr Joshua Nkomo, backed by church and diplomatic sources, alleged that more than 1,000 civilians had been killed or injured in the Fifth Brigade's campaign against anti-government dissidents in Matabeleland.

Yesterday's announcement may do little to repair the damage to Zimbabwe's reputation.

One leader for SDP

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE "Gang of Four" collective leadership of Britain's Social Democratic Party has been abandoned after the election of Dr David Owen as leader. A new balance of power is emerging with Dr Owen as clearly the dominant figure, while Mrs Shirley Williams, Mr Roy Jenkins and Mr Bill Rodgers are seen as members of the gang, have less influence than before.

It also became apparent at the meeting of the Council for Social Democracy, the party's ruling body, that there was some confusion over the leadership's attitude to incomes policy, with differences of emphasis between Mrs Williams and Dr Owen.

In the first two years of the SDP's life, the collective aspects of the leadership had been stressed. The "Gang of Four" had held discussions together before meetings of the national committee and before important decisions.

That approach has now been dropped. The four did not all meet together before the last national committee meeting and Dr Owen's leadership has already become more personal and less collective. That is partly because he tends to work alone with a small staff.

A distinct coolness has developed in the relationship between Dr Owen and Mr Jenkins, his predecessor, partly because of temperamental differences and partly because Mr Jenkins feels he was pushed out of the leadership in June.

Conference, Page 7

Mr Larry Speakes, White House spokesman, said yesterday that marines in Beirut could request air strikes. If granted, these would be approved by the local commander. Mr Speakes said such support from the U.S. task force could also be sought if other troops of the multinational force were threatened.

The negotiations conducted by Prince Bandar bin Sultan, the Saudi envoy, between all the parties have still not borne fruit, but President Amin Gemayel is clearly hoping that he can internationalise the crisis and thereby get active military support from Washington and other western powers.

The U.S. Marine positions around the international airport have continued to take intermittent fire, but despite the large naval armada off Lebanon's coast, soon to be reinforced by the U.S. battleship New Jersey, politicians in Beirut remain unconvinced that President Reagan is prepared to use the degree of

force necessary to tip the balance against the Druze militias and their Syrian allies.

Diplomats warned that Syria might not be adverse to a limited conflict with the U.S., which would enable it to pose as the champion of the Arab cause, while Damascus is confident that any U.S. military action will be restricted.

This view was reinforced in Damascus yesterday when Mr Farouk al-Chareh, the State Minister for Foreign Affairs, laid out details of joint mediation efforts with Saudi Arabia which have been rejected by President Gemayel.

World Weather

Area	C	F	Area	C	F	Area	C	F	Area	C	F
Algeria	28	82	France	24	75	Malaga	26	78	Salt Lake	17	62
Amman	28	82	Germany	24	75	Moscow	24	75	Singapore	28	82
Baghdad	28	82	Italy	24	75	Nairobi	24	75	Tokyo	28	82
Bombay	28	82	Japan	24	75	Rangoon	24	75	Washington	28	82
Buenos Aires	28	82	Kenya	24	75	San Francisco	24	75	Wellington	28	82
Calcutta	28	82	Madagascar	24	75	Seattle	24	75	Yokohama	28	82
Cairo	28	82	Mali	24	75	Shanghai	24	75			
Cardiff	28	82	Mexico	24	75	Singapore	28	82			
Chennai	28	82	Morocco	24	75	Singapore	28	82			
Columbo	28	82	Nepal	24	75	Singapore	28	82			
Dhaka	28	82	Nigeria	24	75	Singapore	28	82			
Dublin	28	82	Romania	24	75	Singapore	28	82			
Harare	28	82	Russia	24	75	Singapore	28	82			
Hong Kong	28	82	Spain	24	75	Singapore	28	82			
Jakarta	28	82	Sweden	24	75	Singapore	28	82			
Kuala Lumpur	28	82	Switzerland	24	75	Singapore	28	82			
London	28	82	Taiwan	24	75	Singapore	28	82			
Lyons	28	82	Tanzania	24	75	Singapore	28	82			
Madras	28	82	Togo	24	75	Singapore	28	82			
Mumbai	28	82	Tunisia	24	75	Singapore	28	82			
Nairobi	28	82	Turkey	24	75	Singapore	28	82			
Paris	28	82	Uganda	24	75	Singapore	28	82			
Rangoon	28	82	Ukraine	24	75	Singapore	28	82			
Reykjavik	28	82	USA	24	75	Singapore	28	82			
Rome	28	82	Yemen	24	75	Singapore	28	82			
Salt Lake	17	62	Zambia	24	75	Singapore	28	82			
Seoul	28	82				Singapore	28	82			
Singapore	28	82				Singapore	28	82			
Taipei	28	82				Singapore	28	82			
Tokyo	28	82				Singapore	28	82			
Yokohama	28	82				Singapore	28	82			

U.S. ready to defend Beirut forces

Continued from Page 1

deployment of the British contingent. Britain, France, Italy and the U.S. have troops in the peacekeeping force. The U.S. has 1,200 marines in Beirut. Another 2,000 are being moved into position offshore on the naval task force led by the aircraft carrier Eisenhower.

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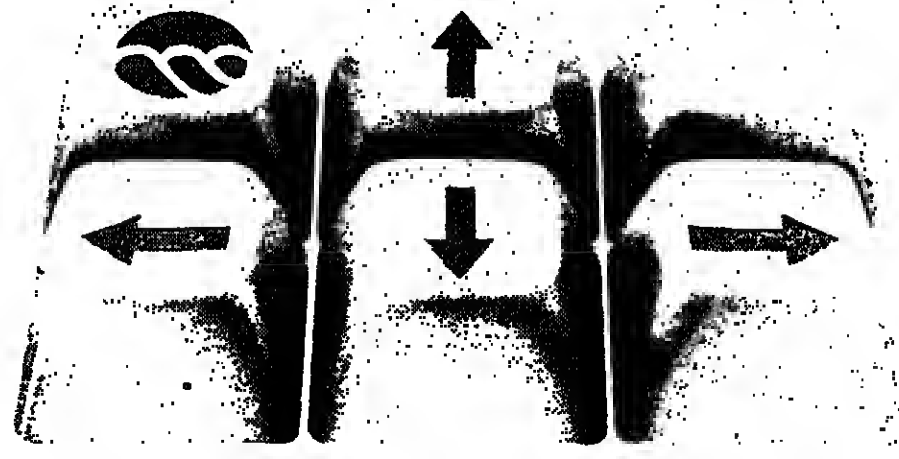
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FINANCIAL TIMES SURVEY

PORTUGAL

Austerity has descended on Portugal's fledgling democracy as a result of the country's severe economic problems. Harsh measures are inescapable if Portugal is to achieve its desired aim of becoming a member of the European Economic Community—its lifeline for sustained growth

Economic ills override all else

BY DAVID WHITE

THERE ARE periods in the histories of countries, like lives, so dense that they defy the normal sense of time.

Exactly 10 years ago a monocled brigadier, Antonio de Spínola, was still working on a book "Portugal and the future" which was to be the prologue to a revolution the following spring.

The tumultuous politics that have followed the overthrow of Europe's oldest dictatorship are recorded on the walls, in layers of posters and graffiti. Names of the past—"Otelo"—still hit the eye, reminders of a time when Portugal veered in the direction of Cuba.

It did not become a Cuba. Instead it has become a rather self-mortifying democracy, without a majority leadership and condemned like Italy to operate with compromises. It is clannish, introverted, still isolated and backward by any European comparison, full of delightful anachronisms, living beyond its means and deep in debt.

Portugal's situation has turned from being a political emergency into an economic one. The country has suffered from early attempts to take short-cuts to economic development, from a failure to adapt to the second oil crisis and from a succession of governments that has looked like the French Fourth Republic.

The Socialist-led Government

formed by Sr Mario Soares after this April's elections is the 15th since the 1974 revolution. During that time Portugal has tried out the ministerial calibre of literally hundreds of people who were never Ministers before. Elections of one kind or another have come at an average rate of slightly more than one a year, three of the four main parties—the exception being the unrepentantly pro-Moscow Communists—have had a share of power.

Disillusionment

There is now a detectable sense of disillusionment that the horizons opened up by democracy have not proved more exciting or inspiring.

The last elections were fought with little enthusiasm. The coalition formed by Sr Soares with the Social Democrats, mainstay of the preceding Centre-Right government, has been coolly received both by trade unions and employers, although there is precious little in its programme that could be called Left-wing.

What is being prescribed is the biggest dose of austerity since Salazar: cutbacks in purchasing power, drastic trimming of the public sector, realistic prices, new lay-off laws and the opening up to private competition of sectors that were nationalised as "irreversible" —who, with the recent addi-

classes" (banking, insurance, cement and fertilisers).

Not surprisingly, all this belt-tightening under the once-idealistic Sr Soares has provoked bitter sarcasm from his long-time Communist rivals. "Excuse me," he was depicted as asking in a cartoon, "but can you tell me I've forgotten how to spell Socialism?"

The programme is more drastic than the stabilisation measures Sr Soares imposed late in his previous spell as Prime Minister in 1974-78 and takes place in worse circumstances not only economically but politically. Five years ago it was the first taste of austerity for wage-earners after considerable improvements in living standards. This is no longer so.

Labour unrest, traditionally concentrated in the Lisbon industrial belt, is certain to come next year with the inevitable rise in unemployment from its present rate (by union calculations) of 11 per cent. The oversized, overmanned and unprofitable companies of the public sector are expected to shed between 50,000 and 100,000 jobs. Prices — from transport to the Portuguese staple food, cod—have shot up.

But who could make it stick if not Sr Soares? The country's best-known politician abroad, Foreign Minister in the first post-revolutionary government, one of the architects of Portugal's European-style democracy, still popular and still a showman, he has a claim to natural leader that nobody—at least since the tragic death of Sr Francisco sa Carneiro three years ago—can rival.

Sr Soares sees himself as sharing the same plight as the other "Socialists of the South"—who, with the recent addi-

tion of Italy, form a string of Socialist-led Governments along southern Europe—coming to power in lean times and unable to pursue the policies they would like. Portugal was doing little more than anticipating the measures it would need to secure its agreement with the International Monetary Fund for a financing package, shortly to be finalised.

Foreign debt

The economic situation Sr Soares' team took over included foreign debt that had doubled in less than four years and was more than half as large as the country's annual Gross Domestic Product, a soaring budget deficit and a gap on the balance of payments current account that was proportionately bigger than anywhere else in the OECD.

The new Government may have gone out of its way to paint the situation as bleak as possible but the facts help.

The blame placed at the door of the previous government has an ironical edge to it since in this case it is the junior partner in the current coalition that is being pilloried for its improvidence.

Some of the new measures are left-over tasks from the Government of Sr Francisco Balsemão, which tried several times unsuccessfully to push through laws on privatisation and spent a lot of time last year obtaining a reform of the constitution—removing the Council of the Revolution, the all-powerful military watchdog body, and replacing it with a consultative Council of State.

This important gain for parliamentary government was followed by the collapse of the uneasy Social Democrat-Christian

Democrat alliance. A weakened Sr Balsemão threw in the towel in December. During the long interim before the formation of a new government it began to be said that the next one would be a last chance for the system to prove itself.

More, therefore, may be pinned to the success of the Soares Government than its own survival. No other coalition would appear possible in the present parliament and Sr Soares fears political vacuum.

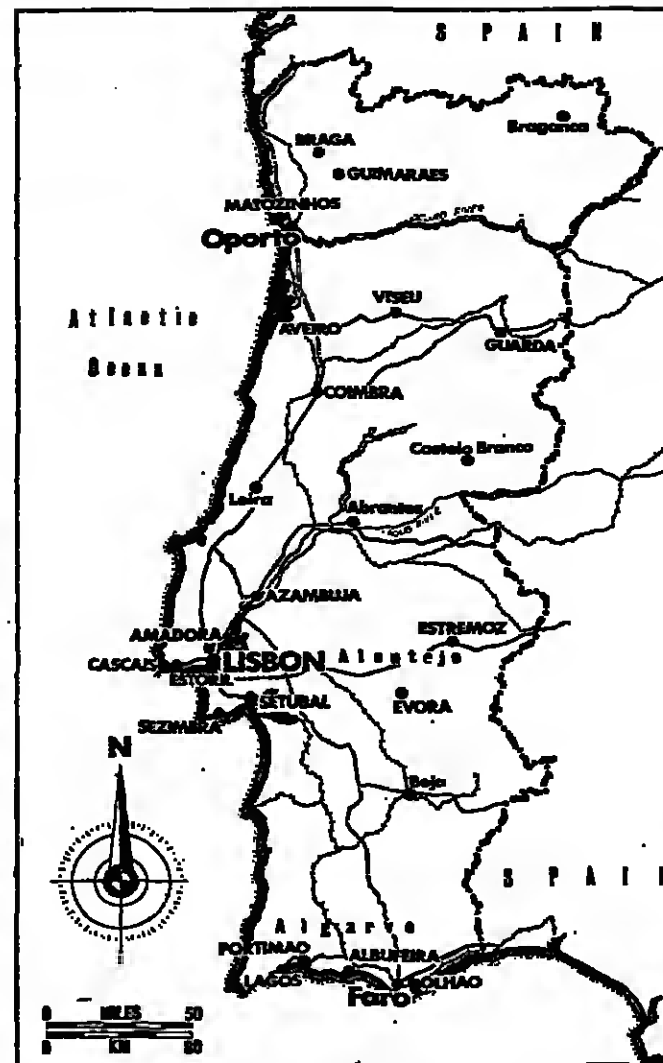
The "presidentialist" temptation manifested itself at the time of the elections, when a group of 189 personalities, including former Prime Minister Sr Maria de Lourdes Pintasilgo formed an embryonic movement around Gen Antonio Ramalho Eanes, the austere, school-masterish president.

President Eanes' post — for which he is ineligible to stand for another term — comes up for election in 1985. Although Sr Soares is keeping his cards close to his chest he is known to believe the constitution would function better if the President (ie, himself) were of the same party as the Government.

This eventuality — of Sr Soares standing for the Presidency as the consummation of his career—would break in half the four-year contract the Government has taken on and threatens to be a delicate problem for the coalition.

The two years is also the minimum time needed for pulling Portugal out of its economic mess. Until then, whether the programme succeeds or not, the Government's public image stands to take a battering.

Sr Soares, as one commentator has said, is known as a general practitioner but un-



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tried as a specialised surgeon. A key choice in his government, and one of only half a dozen new faces, is Sr Ernani Lopes, recalled from Brussels to follow a long line of Finance Ministers.

Sr Lopes is not a party man but a hit-man for the economy and a link-man for Portuguese EEC membership. Community negotiations are a subject he knows backwards. Although Portugal accepts that its accession date will probably have to be the same as Spain's—and despite the Prime Minister's close affinity with his Spanish counterpart Sr Felipe Gonzalez—Portugal is trying to get its talks finished first.

Six-and-a-half years after Sr Soares himself first lodged a membership application Portugal can hardly contemplate any future that is not tied to the Community. Some like to talk of an alternative in a community of Portuguese-speaking countries or elsewhere but there is really no choice.

No choice

Sr Soares meanwhile reaffirms Portugal's commitment to Western defence as a Nato founder member. Talks are due with the U.S. on an extension of base facilities, with Sr Soares leaving open the possibility of a mainland base in addition to the Azores, which the U.S. already uses.

the Azores, which the U.S. already uses.

The question mark stands not over Sr Soares' intentions but over whether his Government has the imagination the country so sorely needs.

A Mediterranean people tempered by their Atlantic climate, the Portuguese form a society that still holds remarkably together with little more by way of conflict than village border disputes. But theirs is also a country beset with bureaucracy, inefficiency, corruption and a large clandestine economy. It is a place of conspicuous consumerism where poverty is never far away, clinging—but only just—to the continent of Europe.

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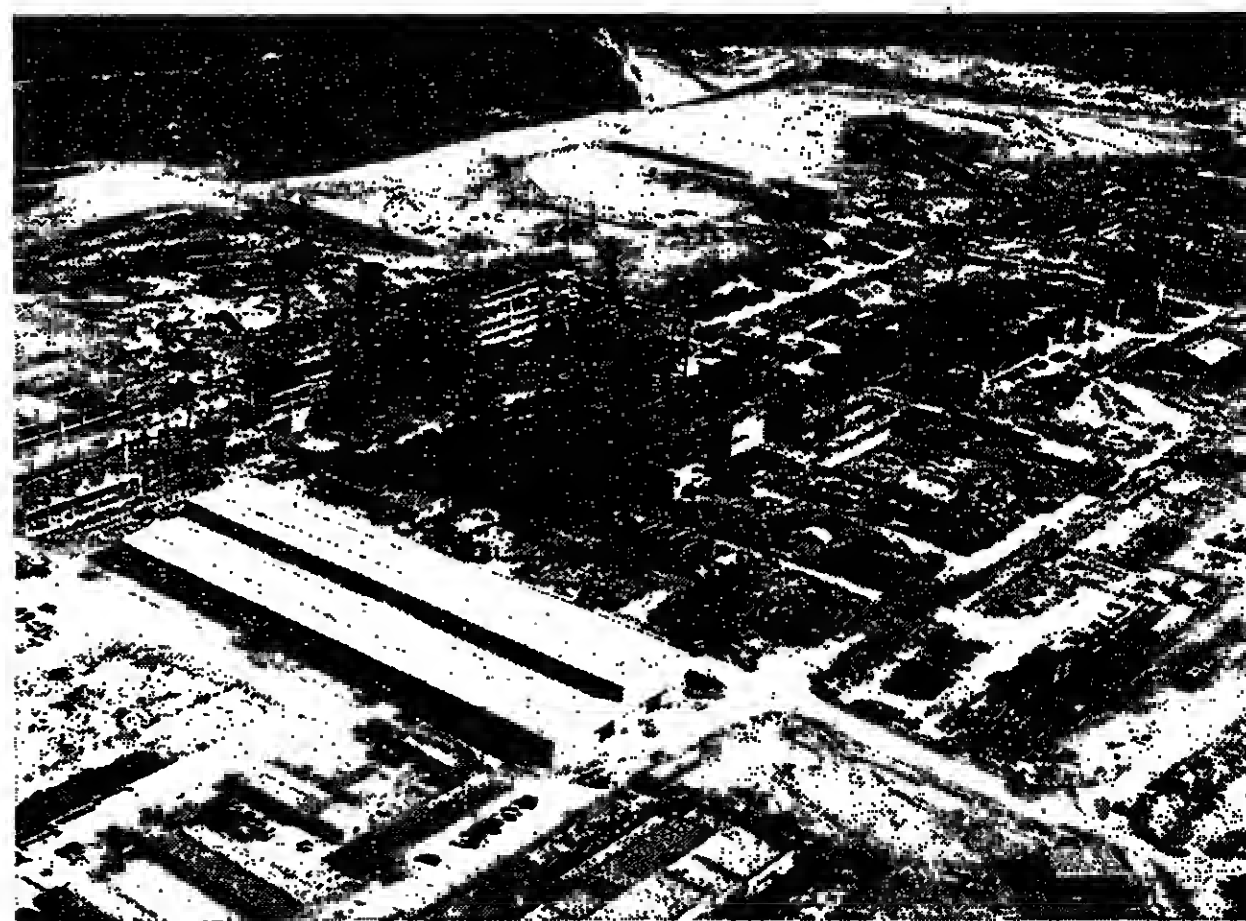
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Total Investment 400 million US Dol.

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Annual Production Available for Export 200,000 tons

Start of Production 1st quarter of 1984



SOPORGEL

Sociedade Portuguesa de Celulose, S.A.R.L.

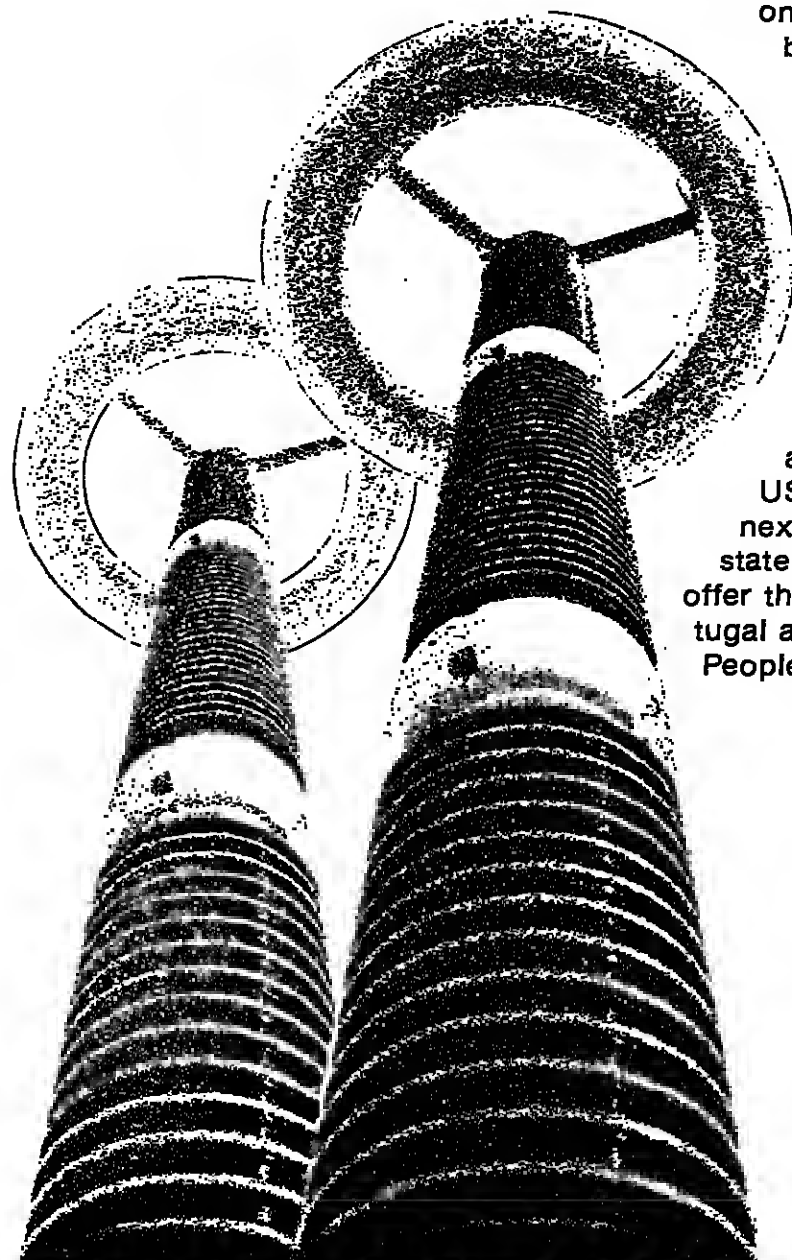
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PORTUGAL II

Steering a course through the fog of debts

The Economy

DAVID WHITE

IT WAS the latest spectacular event in downtown Lisbon: huge salvage cranes trying to right the obstinate hulk of a container ship which collided with another vessel in a February fog three years ago and proceeded to lie there capsized in the Tagus, right off the Praça do Comércio.

People brought their sandwiches and waited, with a mixture of good humour and fatalism, for the work to start—well behind schedule as it was. The lifting company, working on a "no cure no pay" contract, was having problems.

For a maritime nation it made a suitably maritime—indeed, a symbol of the plight of the economy.

Sr Ernani Lopes, the Finance Minister, has no "no cure, no pay" clause, however. He knows that the best that can be done at present is to remove the danger to shipping.

He does not mince his words about the "inconsistencies...debonair use of financial mechanisms...economic irrationality...chaotic subsidy policy" and "irresponsibilities" that brought Portugal to the state it reached this year.

The current account deficit had reached over \$3.2bn, two and a half times the figure two years before and more than 13 per cent of Gross Domestic Product (GDP). Portugal's foreign debt was half as much again as in 1980, touching \$13.5bn at the end of last year, or 58 per cent of GDP, one of the highest rates anywhere in the world. The losses of the dozens of non-financial public sector companies were, moreover, still worse than in 1981, when they almost tripled to some Esc 31 bn.

Until the summer Portugal was encountering difficulties in its borrowing, on both political and technical grounds. Interim funds from the Bank for International Settlements were paid for—though the operation was camouflaged in other language out of "Salazar's gold," Portugal's close to 700 tonnes of treasured reserves.

It is understood that up to 50 tonnes will have been sold in this way, although there is now no further need.

Portugal's deal since then with the International Monetary Fund (IMF) takes the strain off the debt situation and summer inflows of foreign currency from tourists and emigrants eased the immediate short-term problem.

Under the IMF pact, pegged to spending cuts, cutbacks in the state sector and a reduction in the public sector's wage bill—Sr Lopes will not say by how much—in real wages compared to inflation expected to rise this year above last year's 22 per cent, ceilings will be imposed on foreign as well as

domestic credit, ending the excessive borrowing of public companies.

The short-term debt, which reached 32 per cent of the total but has since been brought down to 28 per cent, is scheduled to drop further.

Financing needs for this year, when the current account target is a reduced deficit of \$2bn, will be covered by the first tranche of the IMF's \$480m standby loan and the delivery of between \$200m and \$250m of a compensatory facility. The Government is expected to make another \$300m syndicated borrowing, allowing another institution to go to the market.

Plans next year, when the second and third IMF tranches are due, are geared to a reduction on the current account to around the 1980 level at \$1.25bn-\$1.5bn.

The budget deficit, according to the plan, is to be pulled down out of double figures in terms of its share of GDP to 8 per cent next year and 6.5 per cent, still a fairly high rate, in 1984.

Foreign indebtedness, cur-

rently standing at about \$14.1bn, will, it is hoped, stay within a \$16bn limit next year.

The reduction of deficits is a harder job than it was in the previous Socialist-led austerity phase in 1978. Without the untapped reserve of export potential Portugal had then, without the same favourable import stock situation, without the sudden inflow of remittances from previously mistrustful emigrants, the plan has to rely on cutting expenditure at the expense of employment.

The Government is running concurrently an 18-month emergency plan, a three-year recovery programme and a four-year modernisation project in preparation for EEC entry.

Sr Lopes's priorities are modernising the banking sector, restructuring state industry (which may become the hottest issue of all), regional development (for which Portugal depends on the prospect of EEC funds) and "internationalisation" (also very largely geared to the membership prospect).

"Horizontal" organisations are expected to be set up to improve co-ordination—one of the great dearths in Portugal.

It is too early to determine whether the capital flight that built up at the beginning of the year—a sure indicator of confidence levels—is being reversed.

Sr Lopes is a believer in the resilience of the Portuguese economy. The country has important advantages in a relatively adaptable work force and low wage levels.

But it sustained a blow to its morale in June when Ford finally called off its plan to build a car plant at Sines in the south—a factory that would have been Portugal's biggest foreign investment, its biggest exporter, provider of 8,000 direct jobs and justification of the ambitious Sines development, unfortunately conceived just at the time of the first oil crisis. The anticlimactical end to four years of negotiations showed that Portugal, like ships colliding in the fog, has not stopped being dogged by bad luck.

PROFILE: PRIME MINISTER MARIO SOARES

Hard line supported by his countrymen

MARIO SOARES does not care to live in the stately villa tucked away behind Parliament that serves as official residence for Portugal's Prime Minister. He prefers to return to the family home at the end of a long day and relax with an expanding family that now includes two granddaughters.

But Sr Soares is attached to the luxuriant grounds of the official residence. He likes to think on his feet, pacing along the well-trodden paths in one of Lisbon's best tended green spaces. In his second stint as Prime Minister since Portugal became a democracy in 1974, 58-year-old Sr Soares has much to think about.

He heads a government pledged to highly unpopular austerity for 18 months—the only known remedy for Portugal's bloated current accounts deficit and overheated private and public spending.

He has no choice but to see unemployment rise and incomes fall under his administration—a hard test for a man who experienced the bitterness of defeat in 1978 when the internal contradictions of his Socialist-Christian Democratic coalition prompted President Antonio Ramalho Eanes to dismiss him summarily and appoint the

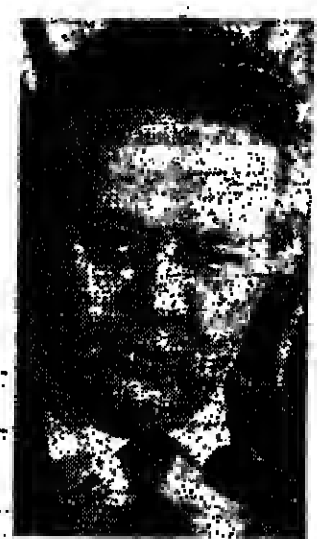
first of three non-elected Premiers.

Watching Portugal stumble through months of enforced austerity is a particularly bitter pill for Sr Soares to swallow because he had no plans to become Premier again.

Sr Soares was grooming himself—well out of the political spotlight—for the 1985 presidential elections—an unsurprising target for a senior politician who has few competitors in any party for the top of the polls as his country's most charismatic and durable civilian leader.

One rival for popularity, President Eanes, who cannot run for a third term but is not keen to abandon politics when he leaves the pink palace of Belem in 1985, threw a spanner in Sr Soares' plans to stay out of everyday politics.

By dissolving Parliament and calling an April general election this year President Eanes presented Sr Soares with a dilemma: either to stay in the background and risk seeing his party lose the election without the Soares' charisma or step forward and risk ruining his image at the head of a government destined to hurt the working man's pocket in no uncertain terms.



Sr Mario Soares—his stock is rising steadily. Sr Soares chose to do his best in power—not a surprising decision for a man who loves a political showdown even more than he loves walks in a garden. So far his stock is rising steadily; it seems the Portuguese prefer to be governed by a tough hand than allowed to wander into bankruptcy.

Dianna Smith

Fresh package of incentives

Foreign Investment

FRANK GRAY

THE FOREIGN Investment Institute of Portugal has spent most of this year displaying outward calm in the face of almost calamitous adversity. Established six years ago as the chief conduit for overseas companies seeking to set up in Portugal, it has struggled through two years of sub-normal investment. This was aggravated by the slowdown in economic reforms by the former government of Sr Francisco Balsemão and the lengthy post-election negotiations that followed the return to power last April of Sr Mario Soares.

As if this situation were not bleak enough, the organisation suffered a stunning blow in June when the Ford Motor Company decided not to go ahead with a major project to assemble vehicles at Portugal's under-used petrochemical and industrial complex at Sines, south of Lisbon.

The Sines project was to have been the largest foreign investment deal in the country; it was to employ 5,000 workers to assemble some 200,000 vehicles a year. Above all, it would have put the Sines site to the use for which it was designed: diversified use for which it was designed a decade before and would have given the Institute a flag to wave at any major industrial concern looking at Portugal as a place to establish a plant.

But Sr Alexandre Vaz Pinto, the Institute's president, is taking heart from the fact that Ford's rationale for saying no is that the international vehicle market is still not right.

Furthermore, there was no demigration of Portugal as a place to invest. The fact that Ford has "immediately postponed" rather than "cancelled" the project means it may live to fight another day.

But perhaps the principal reason for the Institute's comparative calm is the fact that Sr Soares' socialist Social Democrat coalition Government has finally leapt into action with an unprecedentedly busy summer proposing and enacting some distinctly non-socialist legislation.

New life

It is this legislative posture that the Institute hopes will breathe new life into the country's investment climate.

Perhaps chief among these are Labour Ministry proposals to enable economically troubled companies to lay off employees, albeit with the proviso that those affected will be paid 66 per cent of their salaries for up to two years. It was the lack of such a law that is understood to have been a factor in the Ford decision to postpone its plant. Sr Vaz Pinto acknowledged in a recent interview that layoff legislation was vital if large-scale labour-intensive projects were to be won.

Other positive signs derive from a general law allowing private capital to be invested in the banking, insurance, cement and fertilizer sectors that were nationalised in 1978; cuts in public sector investment; and a 12 per cent devaluation of the escudo—all definite pointers to a revitalisation of the business climate and establishment of image of stability.

An added bonus was Sr Soares' choice of Sr Ernani Lopes as Finance Minister. His determination to make his department a lean and efficient tool of Government should make

itself felt in the Foreign Investment Institute, which reports to his Ministry.

But the foreign investment sector can count itself lucky at having escaped the wave of nationalisations undertaken by the revolutionary Government in 1975. This is one reason why, despite the world economic recession, the country has been able to score some impressive successes in recent years.

Chief among these was a \$600m deal allowing Renault of France in 1980 to set up four plants in Portugal for the manufacture mainly of cars, gearboxes and engines. Employing 3,300, Renault last year exported one-third of its 33,000 cars and half each of the 53,000 gearboxes and 47,700 engines.

General Motors of the U.S. has also become the main foreign partner in two companies—Cableira, a cable manufacturing concern, and Inlan, a plant manufacturing rubber and plastic automotive accessories. The two plants have a combined investment of nearly \$50m and employ around 1,000.

Because there is no particular requirement for Portuguese equity participation in the investing companies, many of the concerns, particularly in the electronics industry where there are 150 companies, are 100 per cent foreign-owned.

Among them are Grundig, Philips, Siemens, Robert Bosch and General Electric, all of which own nearly a 100 per cent shareholding in their Portuguese operations and which collectively employ some 8,000 workers.

The Institute points out that nearly 80 per cent of all foreign investment—last year totalling Esc 11.5 (\$111m)—comes from countries in the following order—the U.S., Britain, Germany, Switzerland and France. Japanese investment is scarcely 2

per cent of the total and Portugal would like to see much more of it. In fact Sr Vaz Pinto last year led a technical mission to Tokyo to drum up business from Fujitsu and Hitachi in the electronics sector, as well as Honda, Mitsubishi, Nissan and Toyota in the vehicle industry.

As with other national investment institutes Sr Vaz Pinto's organisation offers a wide range of incentives for investors, including cash supports, tax breaks, interest rate rebates and subsidies for employee training.

Earmarked

It has also earmarked numerous regions around the country on a scale of priorities. Not surprisingly, those most in need of industrial build-up, and where investors will get their best incentives, run along the Costa Verde region in the north and the full length of the country along the Spanish-Portuguese border, virtually from Braganza to the edge of the Algarve.

The second most important regions are around Coimbra, midway between Lisbon and Oporto, Santarém, just inland from Lisbon, the Sines estate to the south, and along the Algarve. The lowest priority regions are in the Lisbon and Oporto areas themselves.

The Institute, with a staff of 75, has its own priorities. Chief among these are the establishment of its first overseas offices, two of which have been proposed for Frankfurt and New York. It also would like to see more commercial officers attached to Portugal's many foreign missions abroad. It concedes that because of centuries of empire, Portugal's foreign service has developed a fixed way of doing things which will take some time to change.

PORTUGAL III

Tough targets to reduce trade deficit

Foreign trade and industry

FRANK GRAY

THE International Monetary Fund (IMF), will no doubt be pleased with the performance of the Portuguese current account in the first quarter of this year, when the country's chronically huge trade deficit was sharply reduced.

But the IMF will not be content until it gets much more of the same as the year goes on—such as the tough targets Portugal must achieve if it is to continue to tap into the Fund's resources to enable it to buy time on the road to recovery.

This summer the IMF provided Portugal with a \$480m standby loan. Almost as a reward for this, the Bank of Portugal reported a reduced current account deficit of \$668m in the first quarter, down from \$1,089m in the corresponding period a year before. Indications are that improvement continued in the second quarter, although final figures have yet to be compiled.

Imports for 1982 totalled \$8,970m and exports \$4,130m, compared with \$9,230m and \$4bn respectively the year before. The imbalance follows the pattern over the past decade, with imports invariably doubling exports.

Traditionally some of this slack has been taken up by Portuguese working abroad, who are entitled to set up high interest blocked escudo accounts back home. But emigrants' remittances too have been slipping, from a peak of \$2,760m in 1980 to \$2,680m in 1981 and an estimated \$2,550m last year.

Chief problem

The chief problem area has been France, where about 1m Portuguese live but where exchange controls and a national economic crisis have curbed the flow of funds into Portugal which can carry up to 30 per cent interest per year. There has been some strength from South Africa, some to 600,000 Portuguese, but Brazil, where millions of emigrants live, has provided a last cause because of the chronic weakness of the cruzado.

The country can take some consolation this year from the steady recovery of the tourism sector—deeply troubled until the mid-1970s but which is likely to be 5 per cent better this year than the Esc 68,700 (\$870m) in receipts from foreign visitors taken in last year. A further boost is coming from the Government which is formulating extensive plans to organise and promote tourism as

DIRECTION OF TRADE			
	1980	1981	1982
IMPORTS (Esc bn)	493.3	622.9	789
Sources (per cent):			
EEC	39.7	37.6	40.1
EEA	7.6	7.4	6.8
Other OECD	21.3	23.3	20.5
Angola	0.2	0.2	0.2
Mozambique	0.2	0.2	0.1
Other oil producers	21.1	21.7	20.9
Sundry	18.0	9.6	11.4
EXPORTS (Esc bn)	248.9	275.7	331
Destinations (per cent):			
EEC	54.6	53.4	57.1
EEA	12.9	12.3	12.7
Other OECD	12.2	10.4	14.7
Sundry	19.3	22.9	18.5

Source: Bank of Portugal

a major currency earner. To assist future trade balances the Government is also revising export incentives schemes, making them more selective and less wasteful of scarce funds.

Temporary limits on consumer goods imports will last until April 1984. These quotas follow a period of overheated importing and the build-up of speculative stocks by the business community.

Given that 1983 was an election year, it is not surprising that there was a wave of acrimony from businessmen, still smarting from the nationalisation programme of the mid-1970s.

Until recently the Confederation of Portuguese Industry (CIP), which represents private sector businesses, justifiably complained that nothing significant had been done to resolve outstanding problems that had drained Portugal's resources. It pointed to the lack of public expenditure control, irrational public sector investment and dependence on foreign suppliers for energy and food.

But now the Soares Government has begun a drive to rein in the excesses of the public sector, successive packages of measures will retrench investment in projects considered unsuitable for Portugal's meagre resources, will restructure top-heavy public companies and will place their spending under closer supervision. These companies are now being sold to private hands.

But just how far the Government has to go to lead the country back into a free market economy is exemplified by the labour-intensive private handicraft sector, where probably the tightest money in Western Europe has pushed interest rates to 30 per cent for five-year loans. This has put the sector in a dilemma: despite a Government study showing a need for 600,000 new family dwellings, the building trade is immobilised by the high interest rates, the high cost of materials and

In overall trade 57.2 per cent of the country's exports went to the Community last year, compared with 53.4 per cent the year before. Some 40 per cent of imports originated in the EEC, up from 37.5 per cent the year before.

It is the EEC's gravitational pull that has given Portugal natural markets and paradoxically has taken what is considered by many trade officials to be too high a proportion of exports, when the country should be diversifying rather than simply shifting its markets. The country's exports to North America rose to 7 per cent last year from 6.3 per cent the year before and imports eased to 11.4 per cent from 12.6 per cent. Japan, a new player on the trade scene, takes a fraction of Portugal's exports but already has 3.4 per cent of the Portuguese market share.

In the age-old belief that only a few things flow from Spain, Portugal is maintaining its independence from what should be its most natural trading partner, sending just 3.6 per cent of its exports across the border, with Spanish goods occupying 5.3 per cent of the domestic market.

Performance

Indicative of some of Portugal's trade problems is its performance with its former colonies and with the oil-producing countries of the Middle East.

Last year exports to Angola, Mozambique, Sao Tome, Guinea-Bissau and Cape Verde collectively fell to just 5 per cent of overall exports from 7.6 per cent the year before, and double digits a few years before that.

A Government trade mission was sent to Africa last year to shore up trade relations and numerous joint ventures with Mozambique are being developed. But Angola, torn by war, remains a problem without solution.

Exports to the Middle East were just 3.8 per cent last year, while imports, nearly all oil, rose to 13.7 per cent from 12.8 per cent.

The Government is making a critical review of its trade and tourism promotion offices. It plans to close those which yield next to no results and redeploy resources to areas like the U.S. where Portugal needs to sell harder.

After a long period where reforms were discussed and not delivered, the Soares Government is racing to deliver the goods.

Die-hard traditions of waiting for customers to buy rather than going out to sell cannot be cured in a few months but the bleak fact of Portugal's external imbalances and official resolve to put some capital into a messy public and private sector should spur manufacturers to develop new export potential.

Who sets up shop and how many shops are deployed around Portugal hinges on the capital requirement for new private banking institutions. It is understood this could be Es 1bn—\$8m at present exchange rates—a sum meant to attract major operators by preference.

A handful of American and European banks have for some years been actively lending to Portugal at multiple levels—leading annual syndicated loans for the Republic of Portugal, import financing, club loans, financing for the major state-run concerns. They are likely to be more welcome than others should they choose to move into a fully-fledged operation from the low-profile realm of a representative office.

Willingness

Their continued willingness to be strongly exposed to Portuguese borrowing in the years to come would increase their standing in Portugal.

Many foreign banks, especially the Europeans, have tested the Portuguese water, involving themselves in investment or leasing companies that have begun to operate strongly in the last 18 months. Providing services faster and with fewer bureaucratic tangles than the nationalised system, they have met buoyant demand despite the economic crisis.

The personal traumas suffered by bank owners in 1975 appear to have faded enough for two families—the Espírito Santo and the de Mello—to move discreetly back into banking. The former now having major holdings in a small American regional bank and a French bank, has representative offices in Lisbon. The latter, through Jose Manuel de Mello, holds a third of a new investment company set up by S. de Mello, Morgan Guaranty and Deutsche Bank.

Bitterness lingers on the part of those dispossessed in 1975 and those who, before 48 years of dictatorship were ended, had either to emigrate or be subordinated to a privileged minority. Recent legislative changes are no panacea but they at least end a period of equally frustrating privilege.

The Portuguese Economy 1983-4: Austerity as a condition for modernisation

At present the Portuguese economy faces serious difficulties in relation to its financial situation. In 1982, the nation's current account deficit amounted to US\$3.2 billion. Having risen from US\$7.3 to US\$14.2 billion, between the end of 1979 and April, 1983, the external debt has further aggravated the seriousness of the problem and this, in turn, has indicated the need to draw up clearly defined and immediate measures in regard to economic policies.

THE OBJECTIVES

The Government, which came to power on the 9th of June 1983, has set out these measures in an 18-month "Emergency Short-Term Programme" (operating up until the end of 1984). Basically, the programme involves international financial co-operation—namely the negotiation of a stand-by agreement with IMF—and the implementation of a strict stabilisation policy, based on the restrictive guidelines contained in the budget and the annual plan.

This policy aims at two basic targets in relation to the external account situation:

- A reduction in the current account deficit which in 1983 is programmed to reach US\$2 billion;
- A consequent cut-back in the pace of external indebtedness.

THE MAIN MEASURES

The main measures of the "Emergency Short-Term Programme" were announced in June including, amongst others, a devaluation of the escudo (12%), an important reversal in the Government's pricing policy, with a substantial reduction of state subsidies, and a significant lowering in the volume of public investments planned for 1983.

In order to pursue this adjustment policy a new set of measures and guidelines were announced on the 9th of August:

- A two-point raise in deposit interest rates and a two and a half-point raise in loan operations rates;
- A total revision of the present interest rates bonus systems;
- The maintaining of the present foreign exchange policy, refusing further point devaluations and keeping the crawling-peg monthly devaluation at 1%;
- A wage restraint policy for state enterprises and the civil service—a measure which should induce similar effects in the private sector;
- The cut-back of public spending and the implementation of additional measures of direct and indirect taxation in 1983, aiming at the reduction of the public sector's deficit;
- The limitation of financing requirements and the increase in self-financing of public firms;
- The control and reduction of public firms' investment programmes;
- The implementation of a realistic pricing policy in state enterprises;
- The adoption of supportive and straightening out economic-financial measures in state enterprises which happen to come under the official heading of "Companies in Economic Difficulties";
- As an overall guideline of the economic policy, the introduction of additional flexibility in price structuring processes (namely in what concerns government-controlled prices).

THE IMF AGREEMENT

The objectives and main stabilisation policy guidelines defined by the Government have been set out in a Letter of Intent which was sent to the International Monetary Fund. This Letter of Intent was signed by the Portuguese authorities in Lisbon on the 9th of August following negotiations with an IMF staff mission which started on the 18th of July. The document is scheduled to be placed before the

IMF board for appraisal during the month of October.

Support given by the International Monetary Fund to the guidelines of the Government's economic policy opens up prospects for the achievement of three important objectives:

- The creation of conditions enabling access to the international financial market which is of particular importance in present circumstances, disturbed as they are by repercussions resulting from the accumulation of the developing countries' debt;
- The access, during the period covered by the agreement, to stand-by credit, totalling 445 million of special drawing rights;
- The possibility of access to supplementary funds under the "Compensatory Financing Facility."

THE MEDIUM-TERM OUTLOOK

The Portuguese economic policy intends to materialise the adjustments imposed by the general conditions of the world economy after the second oil shock. Implicit in this orientation is strict restraint on domestic demand, which inevitably affect consumer and investment expansion. On the other hand, export activities will be encouraged.

However, the contention of domestic demand and, in particular, the management of a restrictive credit policy, will be carried out on a selective basis. In fact, it is the Government's intention to create comparatively more favourable growth conditions for a group of activities of strategic importance within the sphere of production. As part of this policy, support will be given to housing and the building industry, to small and medium-size industrial enterprises and to export activities concentrated on new products and/or new markets.

The Portuguese Government considers that the country's basic economic difficulties arise out of deep-seated problems of a structural nature which the stabilisation policy cannot resolve by itself alone.

The "Emergency Short-Term Programme" will be backed up, immediately, by the progressive implementation of two other interrelating programmes:

1. A Financial and Economic Recovery Programme (FERP), which will operate for two or three years, to enable the medium-term creation of solid bases for the healthy functioning of the economic and financial system. This programme will cover:
 - (a) Reorganisation operations within the institutional framework of economic activity, namely in what concerns the financial system and regional development;
 - (b) An overall action in the area of the management of public firms.

The FERP will be, at the same time, the term of reference for current policy and a starting point for a real solution of those problems holding back economic development.

2. A programme for the modernisation of the Portuguese economy, which will operate for about four years. This programme will constitute the co-ordination instrument for actions aiming at structural reorganisation of the economy.

Due to its more complex nature, this programme requires further consideration of its future impact on the economy.

Conceived with the idea of dealing with the Portuguese economy's most difficult problem—its development—this programme will cover a three-to-four-year period and will be closely interrelated with Portugal's accession to the Common Market—a priority goal in the Government's foreign policy and a basic element of its economic policy.

Ministry of Finance and Planning,
Rua Da Alfandega, Lisboa

Climate starts to change

Banking

DIANA SMITH

THERE ARE nine nationalised banks in Portugal with nearly 1,000 branches altogether. They are heavily staffed, on an average of 42 people per branch compared with an average of 16 per branch in Britain.

Bank employees enjoy a welfare system inherited from the paternalistic past before the 1975 revolution when Portugal's 14 commercial banks were owned by members of the wealthy oligopoly that controlled business and industry—such as they were in a country lagging decades behind Europe in economic growth and development.

Banks and the assets of the oligopoly were prime targets of the Communist Party and its military allies in 1975 when the revolutionary vanguard briefly pushed a bewildered nation as close to the brink of Soviet-style state ownership as any Western European state had come in 30 years.

By nationalising the banks on March 14 1975 the Military Council of the revolution dragged what was then 53 per cent of Portugal's fixed capital formation into the hands of a revolutionary state. The banks acted as holding companies for the lion's share of major commerce and industry.

The number of banks was pruned from 14 to 9 through mergers but the number of employees swelled. Bank owners and senior managers were sacked by the workers. Some were arrested by political militants armed not only with guns but with blank warrants signed in bulk by middle-headed military men eager to prove their revolutionary credentials.

For a brief turbulent period bank staff, including messengers and cleaning women, ran the institutions, usually according to whimsical or vindictive notions of how "people's banks" operated. Many used their access to information on

customers accounts to settle private scores that had nothing to do with political dogma. The business of banking was shelved in favour of being—or pretending to be—a revolutionary. After 48 years of police repression of even moderate political dissenting bank staff, new commissars of the people sporting newly grown beards and scanning customers for signs of "fascism" (a man with a shaved chin, business suit or clean shirt in those mercurially brief times was brave to use a Portuguese bank) indulged in marathon political meetings and exhaustive discussions of half-digested Marxist theory.

If a customer bold enough to stray into those hives of indoctrination was unfortunate enough to be in a hurry to cash his cheque or discount his letter of credit—well, he waited. The banks belong to the people, said the Communist motto—overlooking the fact that customers were people.

Shock waves

The shock waves of the revolution subsided. The beards were shaved off, the political rap-sessions waned—but not until recent introduction of teleprocessing, the queues.

Portugal was left with an overmaned and overcentralised banking system that had cautiously begun to modernise in the early 1970s, taken a brief damaging pause for agitprop in 1975 and badly needed a dose of capital, mechanisation, staff training, management expertise and competition if it was to behave like a fully-fledged banking system learning to operate in the waters of international finance through expansion abroad of its stronger vessels.

The climate, however, at least is beginning to change.

Eight years after the revolution a predominantly Socialist government committed to the un-Socialist—at least in the received sense—drive to liberalise the economy has used legislative tools shunned by more conservative predecessors and rammed through parliamentary precepts that will give private capital a change to return to banking after eight years of ostracism.

In the next couple of months laws defining ways and means of access to private capital—not only to banking but also insurance, cement and fertiliser manufacture—and a law setting the rules of the banking game will be passed by the Soares Cabinet. If the communists make a fuss—they are expected to—Parliament must debate it.

There are no plans to denationalise the nine banks. At most, maybe somewhere in the very distant future, is there a germ of an idea to merge the weaker vessels—a label for which four of the nine qualify—with the stronger ones.

This prospect displeases the stronger banks whose progress towards profitability and expansion has been despite having too many employees. The last thing they want is several thousand more. What they need is bright, trained young men at managerial level who do not suffer from red tape. But such young men are rarely attracted to the nationalised banking system and having attended top business schools abroad usually seek employment in top foreign banks.

With the advent of private capital, Portuguese or foreign—with no legislative discrimination in favour of either as the Treaty of Rome dictates—the stronger nationalised banks will be competing with new pacemakers.

Portugal's modest domestic market—9m people with unsophisticated notions of banking with a gravely undercapitalised business and industrial sector needing to learn about modern management and investment—is unlikely to attract a flood of foreign banks seeking retail business.

It is estimated that of the 22 representative offices of foreign banks now operating in Lisbon or Oporto possibly half would be keen to move to a full branch when the law permits. The wholesale trade is more attractive to the few candidates but even they are not quite putting at the gates.

For the moment a sluggish stock market, a non-existent currency market and a tightly controlled interbank money market do little to inspire sophisticated bankers.

PORTUGAL IV

Sportugal is the lure for winter visitors

Tourism

FRANK GRAY

PORTUGUESE tourism officials have drawn great satisfaction this year from the fact that Lisbon was chosen to host the 17th annual Council of Europe art, science and culture exhibition.

While the exhibition focused on developments of common European interest, this year's presentation at various sites in Lisbon (May 9-October 2) is paying special attention to Portugal's age of discovery and its empire. It is this interest in historic Portugal that the tourism industry would like to see emerge as an ingredient in the overall Portuguese tourism product—the more reasons one has to visit Continental Europe's westernmost country, the more secure the industry is from the buffeting it has endured in the past decade.

The exhibition's tens of thousands of visitors are helping push the annual influx of tourists well past the peak years of a decade ago—significantly enough just before the 1974 Revolution and the years of economic and administrative chaos that were to follow.

UK recovery

Britain, which is by far the largest contributor of tourists to Portugal, sent 511,000 visitors to Portugal in 1978. This fell to a low of 244,000 by 1979 and it was not until 1981 that it crept past 1978 levels. Last year Britain's tourists numbered 570,500 and the figure is expected to rise by 5 per cent this year.

The recovery means that Britons spent 2.1m bed nights in Portuguese hotels and apartments last year; the Germans 1.1m; the Dutch 741,000; Spaniards 670,400; French 568,900; Swedes 534,400 and Americans 456,874.

What the mid-1970s slump brought home to the tourism industry was its overall economic importance and the need to insulate itself better from

the vagaries of domestic politics.

The sector is one of the most important elements in Portugal's overall trade balance picture, a point noted by the International Monetary Fund rescue team which this summer provided Portugal with a \$480m standby loan. Last year tourism brought in some £8.7bn (£378m) in foreign exchange. Aided by a 12 per cent devalu-

off-peak season is being undertaken in a programme called "Sportugal—where winter sport has a new meaning." Under it, Portugal's National Tourist offices abroad make available names and addresses of hotels and clubs throughout the country as well as on Madeira where visitors can water ski, surf, fish, ride, golf, sail and even shoot—the last being usually confined to clay pigeon

Lisbon is soon to get two new hotels, the Meridien and the Novotel—recovery is coming more slowly to the Costa Verde to the north, near the port-wine growing region. The region has been hit by lack of adequate roads. Increasingly, however, inland resort hotels in the wine region are being listed in travel brochures with flights operating through Oporto and the tourism office is promoting overnight stays in pousadas—hostelries situated in historic buildings—in an effort to boost Portugal's most picturesque but least prosperous region.

The Costa Verde suffered not only because of the revolution but through the sudden shift in travel habits. Several shipping lines which served Lisbon and the north a decade ago ceased operating because of the fuel price crisis. This meant a shift in the tourist flow from 50 per cent by car, 30 per cent by air and 20 per cent by sea a decade ago to 75 per cent by air, 20 per cent by car and 5 per cent by sea.

Britannia Ferries, the French passenger company operating from Plymouth to Santander, Spain, is understood to be considering a triangular route that would add Vila Nova on the Costa Verde as a port of call.

The move to boost Portugal's year-round attractions has had its difficulties, particularly in the last year when faulty gas facilities caused the deaths last year of 18 British tourists. Such facilities are only used in the off-peak season—the very time of year Portugal needs more tourists.

The Government responded by consulting Britain on the safety issue and by setting up a special inspection force to examine 6,000 self-catering establishments. Several hundred safety certificates so far have been issued but as a precaution special legislation, effective November 1, has been prepared making owners responsible under civil law to tourists.

The Government emphasised also that any owner not passing the safety test would have his gas and electricity supplies withdrawn by the Department of Energy.

TOURISM EARNINGS

(Es bn)

	1979	1980	1981	1982
EEC	32.8	28.7	42.3	44.5
U.S./Canada	12.6	17.6	20.1	22.9
World	41.0	57.4	63.7	69.7

Source: Bank of Portugal.

ation this summer of the escudo this figure should improve sharply.

The industry has recognised the need to build tourism into something that extends beyond the peak summer months. One official pointed out that the number of beds offered in all of Portugal, though centred mainly on the Algarve coast, numbers 150,000—equivalent to Torremolinos, just a few hundred miles away on Spain's Andalusian coast and just one of Spain's many immensely popular tourist resorts.

It was Spain, he said, which reaped the benefits of Portugal's political crisis.

A restructuring programme has concentrated on the establishment of more recreational facilities along the Algarve. This region now claims six professional standard golf courses and many of the hotels have their own tennis and "deck sport" facilities and swimming pools—instead of leaving customers to rely on nearby beaches for recreation and relaxation.

A new golf course is being built near Estoril, along the Lisbon coast, just 15 miles from the capital, and a major sports complex including golf has been opened in the last year in Trola, 25 miles south of the capital. The promotion of sport in the

Loan for airport

An Ecu 700m European Investment Bank loan is enabling Madeira to lengthen its airport runway by 155 metres to enable it to take the larger conventional jets, although it still cannot handle wide-bodied aircraft.

While the Algarve, Madeira and Lisbon coastal area are all performing strongly this year—



The Algarve, a region popular with tourists and a major centre for golf and other sporting recreations

Stuck in a time warp

Agriculture

DIANA SMITH

LABOUR INTENSIVE and backward in most areas, Portugal's uncompetitive agriculture has been hunched to the high-powered and competitive Spanish agricultural wagon in the collective psyche of many members of the European Economic Community (EEC).

Mediterranean French farmers are bitterly opposed to Spain's potential challenge to their produce. The French Government has had little choice but to take an approach at summit level that reflects the gut reaction of a highly vocal and aggressive sector of the French electorate. Since there is a tendency among EEC countries to view the Iberian peninsula as a homogeneous whole regardless of political and historic fact, Portugal the underdog has seen its modest production of wine, fruit, vegetables and vegetable oils turn into a bone of contention inside the EEC that is sorely delaying completion of accession negotiations.

Dossier

Only when the Community resolves its Common Agricultural Policy disputes and determines what it plans to do with the so-called Mediterranean products will it be possible for Portugal to push ahead with its agricultural dossier.

Meanwhile, some figures illustrate the glaring need for expansion of plans recently undertaken by the Soares Government to intensify technical assistance to farmers, set up training schools for young farmers, liberalise state-run purchasing and marketing of foodstuffs, institute quality control—this in a country where

farmer da Silva plants his peach, apple, pear and cherry trees close together and then wonders why he has a cherapple or a pearach with some help from the bees—and correction of confused land ownership and co-operative or collective farming in the Alentejo, where the Left tried to impose Soviet-style collective farms in 1975.

According to the EEC Green Paper on enlargement of the Community to include Portugal, the share of Portugal's Gross Agricultural Product (GAP) in Gross Domestic Product is 14 per cent compared with 4 per cent in the EEC of the Nine. Growth of the Portuguese GAP is far below the rest of the economy—1 per cent only at constant prices between 1960 and 1975 and negative between 1970 and 1979.

Between 1960 and 1977 Portugal's per capita GAP fell from 31 per cent of average EEC GAP; in Greece and Spain ratios rose from 26 to 43 per cent, and from 31 to 47 per cent respectively.

Meanwhile, of Portugal's working population of 3.8m, 28 per cent is employed in agriculture compared with an EEC average of 8 per cent. Spanish, Greek and Portuguese accession to the Community will raise the EEC's agricultural population to about 13m in a 12-member Community compared with 8m in the nine-member Community.

Portuguese surveys show that the average age of the farming population is well over 50 and that literacy is low—serious obstacles to mastering the standards, methods and intensive paperwork inherent in the EEC's agricultural policy. Small farmers—who number about 800,000 and often work mini-spreads whose sizes shrink as generations die off and their property sub-divide among multiple heirs—have for years saved efforts to purge them into family or group production.

What members of this proud and obstinate breed will do to EEC efforts to produce the perfectly round or red apple and grain of homogeneous quality is a philosophical question that the next decade or so will answer. Portugal will have a long transition period in which to try to herd its antiquated agriculture into the late 20th century. Whether decades can cure the habits of centuries is an enigma.

Ratio worsens

Portugal's isolation from the post-war European mainstream, which kept its industry and agriculture in a time warp and production, productivity and wages a generation behind European levels, means that whereas the average family of today's EEC spends 25 per cent of its budget on food, the Portuguese spend over half their earnings on their daily bread and other staples.

The ratio has worsened since the Soares austerity drive devalued subsidies on staples like bread and milk and on fertilisers and animal feeds that were driving annual budget deficits to unmanageable proportions and benefiting food processors and middlemen far more than the public.

Withdrawal of the subsidies means that low-paid Portuguese now expend up to Esc 1,000 (£5.45) a kilo for beef raised on top-grade imported U.S. animal feeds rather than domestic pastures. Portugal's utilised agricultural area amounts to just over 4m hectares (10m acres)—45 per cent of the country's total land mass. In the EEC the percentage is 60 per cent. Only 6 per cent of Portugal's arable land is pasture against 44 per cent in the EEC.

Low livestock production coupled with high feeding costs means that Portugal must import large quantities of meat with strong repercussions on

the food import bill.

Agricultural yields—another factor in an imported food burden that has exceeded 60 per cent of national demand in recent drought-prone years—are about 1.5 tonnes of wheat per hectare compared with EEC averages of 3.5 tonnes. Some foreign farmers in the Alentejo region, however, have achieved much higher yields in normal weather years of close to 4 tonnes per hectare, showing that proper management of land and farming methods can produce satisfactory results.

The Government has attempted to provide some tools for more efficient farming but their proper use depends on a highly individualistic breed of farmer.

The U.S. has had a steady client for part of its rich grain yields thanks to Portugal's need to import massive quantities of grain each year. In 1982 imports of wheat, corn, oilseeds and rice were close to \$900m—a hefty sum for a small country with a large trade imbalance.

Guarantees for \$620m of this sum came from America's Commodities Credit Corporation, which lets beneficiaries repay grain loans in three years instead of a few months—in this instance on grounds that Portugal is a needy country in agricultural respects.

Before Portugal joins the EEC its grain relationship with the U.S. must be closely negotiated. Community members who acquire grain outside the EEC must pay an import levy into EEC funds. Naturally Portugal with its weak economic structure is anxious to avoid becoming a net contributor, because of non-EEC grain imports, to the rich man's Community club.

Liberalisation of grain purchasing promised by the Government should decrease the U.S. near-monopoly of grain supplies to Portugal accepted by previous administrations.

Targets need to be rescaled

Energy

DIANA SMITH

WEST EUROPE's lowest energy consumer must invest tens of billions of dollars over the coming decades to catch up with European averages of today.

The exact scale of the investment will be debated by the Soares Government in the next few months in the light of the austerity programme that must affect every aspect of the Portuguese economy for the next 18 months.

Before Portugal's financial resources shrink to perilous levels under the weight of the current account imbalances, master long-range and medium-range plans for energy that were three years in the making were unveiled by the previous government. Since the two scenarios devised for these plans—optimum annual growth of Gross Domestic Product of 5.5 per cent, or less dynamic, 3.9 per cent—are now superseded by the need to contain growth for the next few years, there will have to be some rescaling of energy investment targets.

But the guidelines for diversification of sources and means of energy production are not expected to alter substantially, since Portugal's current and highly vulnerable dependence on imported oil and on hydroelectric reserves that have shrunk with repeated droughts cannot be allowed to drag on much longer.

The master plans—medium range until 1990 and long range to 2010 or beyond—call for the following:

- Savings of energy by modernisation and modification of industrial equipment, introduction of new technology and

energy prices that reflect real costs. The Government is now tendering for specialist companies to make a survey of energy use in selected factories so that the amount of wastage of fuel oil or other fuels may be determined. Meanwhile the heavy subsidies on diesel and fuel oil are being phased out.

● Gradual replacement of oil-fired power stations or industrial boilers by other types of fuel and greater use of alternative forms of energy—particularly solar—for water heating in domestic or business premises.

Portugal has one of the top sunshine records in West Europe. A number of home owners have already acquired solar panels with 100 per cent financing from the National Savings Bank at 18 per cent interest repayable over ten years. Industry is also entitled to assistance with purchases of solar or other alternative energy equipment.

● Intensified use of coal for electricity generation and in the cement, cellulose and ceramics industries. A large coal-fired power station is being built near the port of Sines in the south, with tests due to begin in 1984 using 500,000 tonnes of imported coal. The following year 1m tonnes of coal will be required. If the station expands according to plan it will consume about 4m tonnes a year at full operation.

Short list

The Government is about to examine the short list of bidders for construction of a new coal dock and terminal at Sines. If the general energy plans go ahead, Sines would become a funnel for coal supplies for other power stations and for coal consumed by industry. This could mean a terminal that handled up to 10m tonnes of coal a year, imported in large

carriers and either trans-shipped to coastal vessels to feed small ports up and down the coast or carried by rail.

Because Portugal has no facilities to handle large coal carriers at the moment, freight costs of transport in smaller vessels are making the price of imported coal uneconomical.

Looking ahead, if coal consumption rises constantly the south bank of the mouth of the river Tago would also house giant coal installations, handling as much as 30m tonnes a year. But this is a distant vision.

● Introduction of natural gas either shipped in liquefied form from Algeria or by pipeline from Spain. The authorities are anxious to ease dependence on oil-derived town gas and find natural gas an interesting alternative.

● Introduction of nuclear energy. The master plan considers this a highly advantageous form of energy since it permits use of national resources. Portugal has reasonable reserves of uranium and is prospecting for more. There is some resistance among monarchist or Left-wing groups to the introduction of nuclear energy but the authorities feel that a sustained campaign of factual information on the subject will overcome the problem.

In principle, four to six pressurised water reactors producing a total of 4,000 to 6,000 MW would be the desired level. If a nuclear decision is taken by the middle or end of next year, the first reactor could be on stream by 1985. Without a decision, plans will have to be made for increased numbers of coal-fired stations, with attendant increases in coal handling facilities.

● Renewable energy, with particular emphasis on biomass and hydroelectricity. In the biomass field more wood or residual fuels would be burned in small local

stations. At the moment there are no plans to produce wood or beet alcohol for fuel. Wind energy and use of biogas—rarely known as "poor power"—in small rural communities will be promoted; some small units are already using chicken or sheep droppings to produce the methane gas for small generators.

The master plans arrive on a scene that has suffered from scanty overall approaches to use or savings of energy, and only sporadic co-operation from the population in energy-saving efforts. In the early days of the severe winter drought from January to March this year industry responded positively to Government appeals to reduce consumption but domestic users paid little attention.

Efforts rejected

But at the end of the first quarter energy consumption rose by 7 per cent compared with the corresponding period of 1982, reflecting rejection of sustained efforts to save fuel and reduce the burden of fuel imports on the balance of payments.

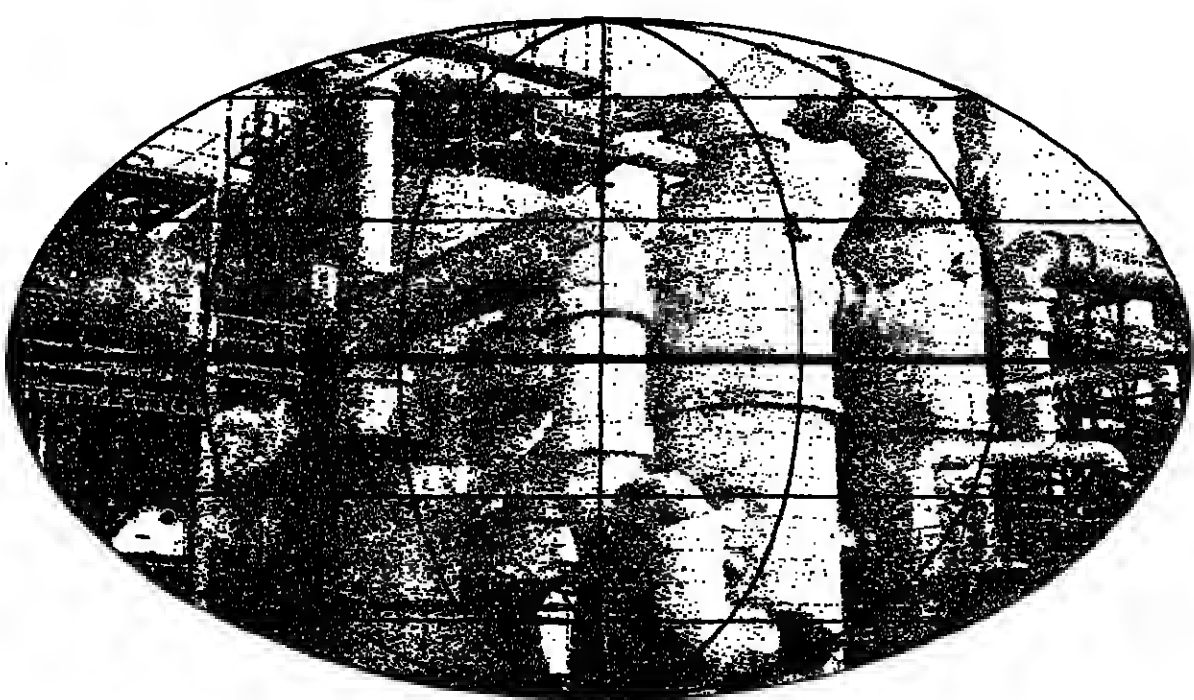
The same problem was apparent in the increased volume of oil imports in 1982 when, despite the fact that the escudo wiped out any benefits from lower world oil prices, successive increases in local prices of oil derivatives did little to deter car-obsessed motorists or fuel-burning industries from having their way.

Decreases in oil imports in 1980 and 1981 to just over 9m tonnes, after a 1979 high of 9.9m tonnes, gave way to 1982 increases of more than 8 per cent to 8.55m tonnes. Oil accounts for 83 per cent of Portugal's current energy needs and it is the authorities' resolve to start reducing this ratio as soon as possible.

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PORTUGAL V



The Palace of Mateus, home of the renowned rose wine which forms an important part of table wine exports.

Growers set about regaining sales momentum abroad

Wine Industry

FRANK GRAY

THE TABLE and fortified wine sectors of the Portuguese wine industry are making a strenuous effort to regain the momentum that carried them strongly into overseas markets in the boom years of the 1970s.

For the table wineries the push is coming against a background of sharp overseas sales setbacks because of the recession and in some cases simple bad luck such as the collapse in recent years of the once-lucrative Angolan market. Last year some 760,000 hectolitres of table wine were sold abroad, just 7.6 per cent of annual production and a fall from 1m hectolitres two years ago.

Port wine producers are in a different position, as 90 per cent of their production goes abroad, mainly to France and Britain. They are concerned at the effects of market stagnation, inflation and what they describe as excessive Government interference which is impeding their range of marketing options. Port wine production last year was 550,000 hectolitres, 573,000 of them exported, just a 4.8 per cent rise on the previous year.

While they are lobbying for a freer hand to conduct their business—the port wine region of Portugal's Douro Valley is one of the most regulated wine-growing regions in the world—producers also recently met in Oporto to map out a strategy to improve sales in the Netherlands, West Germany, Italy and the U.S.

In the table sector visitors to the Algarve in southern Portugal this summer have seen English-language posters urging them to try various red, white and rose table wines. Airline bearing cruises and ticket holders carry commercial advertising promoting the nation's wines.

In Lisbon the Junta Nacional do Vinho, the national wine institute, now publishes a range

of information on the table wine industry in a variety of foreign languages and keenly points out that more "marcas premiadas" wines, or premium brands, are available for export than at any time.

While wine is produced in profusion in more than two dozen regions, ranging from Monção on the northern border with Spain to Lagoa on the Algarve coast, many wineries are still hampered by a lack of marketing expertise. In addition the industry feels that, with more than 1,000 wineries dotted around the country, there is too much diversification of production. This means that most producers do not have a strong enough base to compete effectively abroad.

Led the way

Two wine companies which have overcome these structural problems, and have led the way in Portugal's penetration of foreign markets in the recent past are Jose Maria da Fonseca in Aveiro, 25 miles south of Lisbon, and Sogrape of Oporto. Fonseca produces premium "denominação de origem" (denomination of origin) wines under the family name but its export success is led by the brand name of Lancers, a Fonseca unit 49 per cent owned by the Hneblein Food Company, the U.S. food and drinks distributor.

Sogrape, its rival, is better known through its successful Mateus table wines. So successful, in fact, was Mateus with its marketing in the late 1960s and early 1970s in the U.S., and more recently the UK, that it surpassed Lancers in foreign sales. Both companies now export some 3.5m cases of wine a year—about 1.5m for Lancers and nearly 2m for Mateus. The U.S. and Canada take most Portuguese wine exports, but the UK has emerged as the fastest growing new large market,

PORT WINE EXPORTS

	1982	1981	1980	1979
France	224,200	224,600	254,700	254,500
Bel-Lux	109,100	69,600	78,300	64,800
UK	64,500	70,600	90,800	107,800
Netherlands	46,700	37,900	47,600	41,400
W. Germany	27,700	37,800	37,600	41,300
Denmark	24,000	22,700	27,500	28,000
Italy	23,100	23,900	31,600	35,000
Soviet Union	18,900	18,900	18,900	17,100
Sweden	6,300	5,100	8,700	7,100
Switzerland	4,700	6,900	6,800	4,200
U.S.	3,700	3,200	3,500	3,500
All markets	572,865	545,428	614,502	531,153

Source: Instituto do Vinho do Porto.

especially for Sogrape Mateus. Fonseca, while less successful with Lancers in Britain, has found a way into the market place with a leading supermarket distribution of its vinho verde, the white wine from the Minho region on Portugal's northern border.

The two companies made their initial sales with slightly sweet sparkling rose wines packaged in Lancers' case, in a ceramic-type jug and, for Mateus, in a flask bottle.

Both remain trademarks but the wine in them now is often white and red and the blends have grown progressively drier as foreign tastes have grown more sophisticated. Their Portuguese identity succeeded in opening the door to a range of other wine exports, particularly reds from the Dao region, one of the largest wine-growing areas situated in north-central Portugal, and ever-rising overseas sales of oporto verde.

The strength of the British market lies not only in Britain's traditional ties as a trading partner and through its dominant port wine links but because it is also the largest supplier of tourists. Portugal last year sold the UK 53,000 hectolitres of wine, up from 49,000 two years ago. A stronger export performance still was shown in West Germany, whose uptake in 1982 was 53,000, compared with 37,000 in 1980, while Italy was the EEC's third largest market at 37,000, up from 34,000 two years earlier.

Portugal's biggest setback in

Europe, has been in Switzerland, a major importer of bulk wine rather than bottled wine, where shipments fell in two years to 125,000 hectolitres from 214,000.

The collapse of the Angolan market in recent years is the result as much of the ending in the 1970s of colony status for the southern African nation as of that country's subsequent civil strife and overall economic malaise. Wine sales to Angola fell last year to 36,000 hectolitres from 107,000 in 1980. Brazil, at 15,000 hectolitres, is far below its potential owing to a better arrangement Brazil has with Chile for the supply of wines.

The wine institute is encouraged by strength in Japan, which last year imported 18,000 hectolitres.

Important sales

There is concern, however, that the roses continue to dominate overseas table wine sales, although they now are just 70 per cent of exports compared with 90 per cent in the late 1970s. But wine officials are quick to point out the importance of the rose wines in the Italian and German markets, where such wines are not sold to local nationals as much as they are to British and American tourists.

While the table wine producers feel their recent setbacks are temporary, port wine makers in Oporto—organised under the Associação do Exportadores de Vinho do Porto—are facing a longer-term problem.

While 1982 marked a slight recovery, exports were still below the record of 1979 when 628,600 hectolitres were exported. In fact the industry points out that exports are not far different from 50 years ago, when they first broke through the 500,000 level. They have not varied much since, particularly during the table wine industry's expansion years of the 1960s and 1970s.

Port wine exports have not been able to "piggy back" on the growth in table wine sales and are unable particularly to get into the potentially lucrative U.S. market. The U.S. has a long history of producing fortified wines, including port-types from California, Ireland, with 3.5m population, consumes as much port annually, 3,700 hectolitres, as the U.S. with its 235m people.

While the Benelux countries have shown strength as a group they are the second largest market, with an intake of 155,000 hectolitres—they have not been enough to offset sharp sales losses in France and Britain. France, the largest importer, has seen imports fall to 225,200 hectolitres in 1982 from 254,000 in 1979. The UK market, historically the sole raison d'être for the existence of the port wine industry, has tumbled to 64,500 hectolitres from 107,800 in the same period. If this continues table wines could this year surpass port in the British market.

PORTUGAL

FIGHTING UNSUSTAINABLE TRENDS

The Portuguese economy was severely hurt by the world recession, although with some delay. After strong growth in 1980 (5.5%, the highest rate among OECD countries) GDP virtually stagnated in 1981, exports decreased and the current external deficit rose sharply.

The international economic situation affected Portugal in a number of ways. Slow or negative growth in Europe meant reduced exports of goods and services, while unemployment and shrinking real wages implied less remittances from the Portuguese emigrants. The external factors together with a level of domestic demand higher than in other OECD countries led to a sharp deterioration of the Portuguese external accounts during 1981.

During 1982, a tighter monetary policy and a stronger devaluation of the Escudo combined to progressively cool off domestic demand, while exports recovered. However, those developments were not enough to prevent a further deterioration of the current account. The increase of interest payments on the external debt and the decline of the emigrants' remittances more than offset the trade balance improvement.

According to the latest statistical data unemployment kept rising during the first quarter of 1983—but still stands at a rate lower than in several OECD European countries—and investment declined, partly because of a cut in public sector projects. However, there is encouraging news as far as the external account is concerned. The current deficit has shown a substantial reduction mainly due to another rise in exports. This should be the combined result of the expenditure reducing and switching policies and of the entry into operation of new exporting factories of chemicals and automobile parts.

Portugal now has a government with a comfortable parliamentary majority. This favourable institutional environment allowed the government to envisage a three-stage economic strategy. The first stage is a short-run (18 months) programme aimed at reducing the external and public sector deficits. The other two stages are medium-run programmes. The shorter one (two to three years) is intended for the financial sector, while the other (four years) is a development and modernisation plan.

As far as the short run policies are concerned, several steps have already been taken.

As for the monetary measures, they are aimed, chiefly, at cutting down credit expansion, encouraging domestic saving and preventing capital flight. These measures have involved mainly the implementation of tighter credit ceilings and the raising of interest rates. The last revision of these rates occurred in March. The Bank of Portugal rediscount rate moved from 19 per cent to 23 per cent, lending rates increased 4 percentage points and time deposit

rates raised 4 to 4.5 percentage points according to their maturities. Currently, one year deposits bear a 28 per cent interest rate, while the inflation rate is slightly above 20 per cent. Simultaneously, investments regarded as basic for economic development have benefited from some financial schemes.

Exchange rate policy—based on a crawling-peg system, reinforced by discreet devaluations when external circumstances so impose—aims at eliminating the differential rate of inflation between Portugal and partners' countries, thus keeping the external competitiveness of the Portuguese economy and to avoid speculative movements, which have been strengthened by dollar appreciation. In this vein, last March, the crawling-peg rate moved from 0.75 per cent to 1 per cent and in June the Escudo was devalued by 12 per cent in effective terms.

Budgetary policy has relied, mainly, on measures favouring a reduction in non-essential expenditures and subsidies rather than an increase in tax receipts, since tax rates are already very high. Nevertheless, the 1983 State Budget includes several measures which aim simultaneously at improving the equity and efficiency of the tax system. Thus, some indirect taxes were increased, taxes on less essential expenditures of firms were introduced and efforts to fight tax evasion have been reinforced. Besides, studies are under way aiming at the implementation of a value added tax (VAT), in anticipation of the future Portuguese integration in the EEC.

Subsidies to public enterprises are among the expenditures that the new Government intends to reduce. Some of these enterprises produce and commercialise goods and services with administered prices. As a result, several of these prices have been increased. Nevertheless, inflation, although high, is under control.

As far as medium-run programmes are concerned, a strong investment effort is needed in order to change economic and social structures and reduce the gap between Portugal and EEC countries. This effort requires large financial means and technological and managerial expertise. Hence, foreign direct investment can play an important role: creating new jobs, as a source of new technologies and giving access to new international markets.

The conditions offered in Portugal to foreign investors are very attractive. They can count on high profitability—favoured by fiscal incentives and low labour costs—and quite diversified opportunities. Recently, some sectors—banking, insurance, manufacturing of cement and fertilisers—were opened to private capital, domestic or foreign.

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 **portugal**

Drive to expand world route structure

THE MAJOR fleetlift launched by TAP Air Portugal several years ago is now moving into high gear as the state-owned airline seeks to expand its route structure.

The company, for so long indissolubly associated with the country's tourism industry, is now making an effort to become an airline that not only brings foreigners into Portugal but can fly them to many points beyond.

Its efforts have seen government representatives negotiating this year with the Canadians for access to the lucrative Toronto market—it now flies to Montreal only—and with the Egyptians for rights to serve Cairo. Both efforts look like getting the go-ahead, possibly paving the way for new services by 1984 or 1985.

The company admits that route expansion at a time of economic stagnation in the industry is tricky—in 1981 the last year for which financial figures are available, Air Portugal lost \$51m and it would like to trim its payroll of 10,000, a large number for a company with 19 aircraft.

But a senior official points out that the time for

expansion is ripe. Moreover, the upsets that have hit Air Portugal in the last decade require forthright action.

Chief among these was the collapse of the once-captive Angolan and Mozambique markets. Luanda and Laurens Marques were once

Air Portugal

FRANK GRAY

served with daily and sometimes twice-daily Boeing 747 services out of Lisbon but the loss of the two colonies savaged the company's revenues and forced it to sell its 747s.

The post-colonial turmoil now has settled and Air Portugal now is recovering some of its African business. Twice-weekly flights operated this summer to Angola and Mozambique, with regular scheduled operations also going to Harare, Cape Verde, Guinea-Bissau, Brazzaville, Kinshasa and Johannesburg.

In the Americas its U.S. and Canadian services are supplemented by regular flights to Rio de Janeiro, Sao

Paulo and Caracas.

The idea of a route that would extend it eastward beyond Rome to Cairo is attractive, as it would be the company's first foothold in the Middle East.

Its modernisation efforts have seen Air Portugal in the last year commence deliveries of five new Lockheed TriStar and new Boeing 737-200s; its 1985 fleet plan calls for it to be operating an all-jet fleet of 28 aircraft.

Two years ago it adopted new in-flight service uniforms and changed its name from the awkward Transportes Aereos Portugueses to a simple TAP-Air Portugal, though now even the use of the word TAP is being dropped.

Air Portugal is counting on the experience of its new president, Sr Orlando Morley Rodrigues, to improve its balance sheet. He took over in January from Joaquim Augusto Andrade Campos. He previously served as vice-president of the Associação de Transportes Aereos Portugueses but most of his career was spent as a senior official in Lisbon, Mozambique, Angola and Mexico with the Dutch Philips electronics group.

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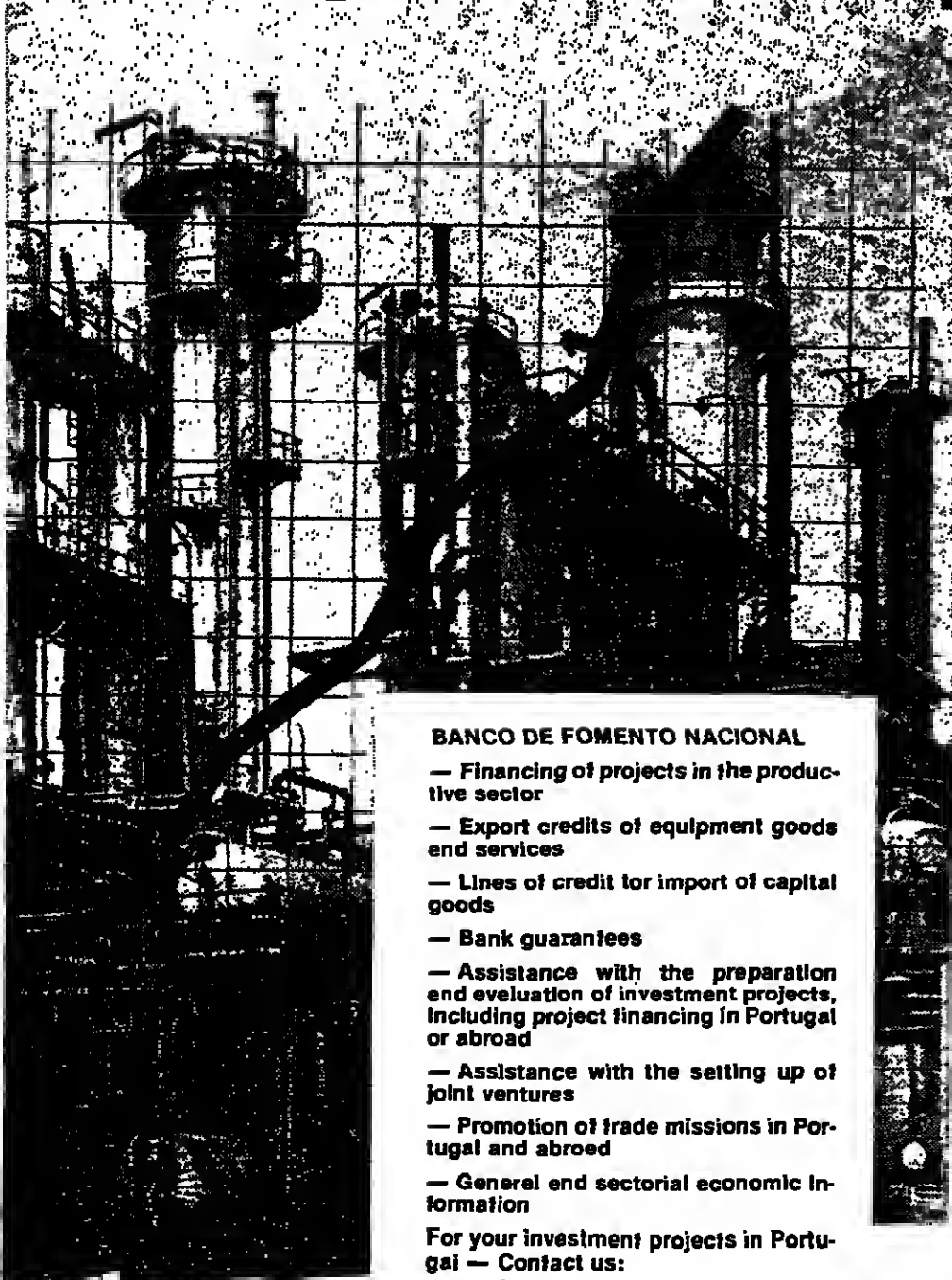
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PORTUGAL VI

Slow progress to Community membership

Approach to EEC
DIANA SMITH

AS THE months drag on and completion of negotiations with the European Economic Community (EEC) remains elusive, Portuguese leaders claim with increasing frequency that there are alternatives to Common Market membership.

Their impatience is understandable. It was nearly eight years ago that Mario Soares trucked around EEC capitals asking the blessing of the Nine for Portugal's aspiration to join the club after 20 years of politically motivated exclusion.

The political blessing was rapidly given. But the practical process of finding the physical, economic — means to weave the poorest of recent applicants for Community membership into a complex organism that wants to strengthen, not weaken, its fabric has inevitably been more arduous.

Part of the negotiations, which finally gathered momen-

turn in 1981, was settled at a reasonable pace. They formed the easiest part, dossiers that did not worry the Community on the score of extension of benefits for competition from new members.

But when it came to difficult areas — agriculture, fishing and free circulation of more labour in a Community of mass unemployment — the pace slowed to a hesitant stumble. Movement of once and future Portuguese migrants in EEC nations became a matter for controversy; the dossier is still open.

Strong voices

In agriculture and fishing, where Community members speak with particularly strong voices, Portugal has been unwillingly coupled with the competitive threat represented by Spain and made to wait while the EEC settles its attitudes towards Southern European produce, decides how to finance programmes for this region and, having done so — weather and the EEC's Council of Ministers permitting — feels safe in enlarging itself to a Community of 12 without too much further ado.

It has become a bit of an exercise in futility to guess about Portugal's entry date but — keeping an eye on several life-negotiations could be completed and the treaty of accession signed by the end of June 1984.

That would please Sr Soares and his Cabinet. There are signs, moreover, that it would also please President Francisco Mitterrand of France, whose country presides over the Community between January and June next year. Now that the whole southern sweep of Europe from the Atlantic to the Aegean is ruled by governments that at least call themselves Socialist, even if some — like that of Sr Soares — are compelled by economic imperatives to practise policies that Dr Milton Friedman might applaud, it would make a nice entry in the Socialist log book for Mitterrand to foster Portugal's and possibly Spain's graduation from the school that makes candidates sweat before they enter the membership.

Once Portugal's entry is signed — with all transition periods and pre-accession funds established — the Community can afford to wait for Spain, the larger more challenging candidate, to finish negotiating. Then the 10 EEC Parliaments can ratify the Spanish and Portuguese treaties with due speed and perhaps both countries may enter the Community in January 1986.

At the moment Portugal can do little more than keep things ticking over in the periodical deputies' meetings in Brussels, arguing a technical point here and a minor detail there — the ball is in the Council of Ministers' court.

Crumbling at delays and hinting at possible alternatives is one of the few options open to a country which has no strong selling point other than the will of its democratic leaders to be working members of a democratic European Community.

Portugal's economic weakness makes the unnamed alternatives to which leaders refer nowadays a little hazardous. There is no known alternative to pre-accession aid — a total of 625m ECUs (European Units of Account) since 1975 — that the Community's place among its clients dropping from 31 per cent to 7 per cent.

However, experience of co-operation with Eastern bloc countries — problems, for instance, with teachers whose first language is not Portuguese — and the subsequent shift away from purely ideological partnerships has brought a breakthrough in relations with Portugal since 1980.

Prime partner

If continuity prevailed in the island states of Cape Verde and Sao Tome-Principe, where Portugal has stayed on as prime economic partner, the opposite took place in the two colonies which, like Guinea-Bissau, went for a radically different "model".

In 1970 Angola took 15 per cent of Portugal's exports. After independence its share dropped to 12 per cent. The 37 per cent of its exports that

went to the mother country at the start of the decade were not even 1 per cent at the end of it. Mozambique was the same story — 9 per cent of Portugal's exports in 1970, less than 1 per cent in 1980, with Portugal's place among its clients dropping from 31 per cent to 7 per cent.

However, experience of co-operation with Eastern bloc countries — problems, for instance, with teachers whose first language is not Portuguese — and the subsequent shift away from purely ideological partnerships has brought a breakthrough in relations with Portugal since 1980.

Language is one thing — especially in training programmes — but not all — witness Brazil's failure to follow up its early efforts to make a bridge with the African countries. What Portugal has is a large stock of recent experience in Africa — an otherwise wasted asset — and a reserve of medical-technology expertise and middle-level managers.

While Portuguese ventures

Portugal would have liked to see more in direct grants and less in reimbursable European Investment Bank loans but Brussels is the centre of a hard-headed Community not the capital of Utopia.

Nor is any alternative outside Europe likely to offer the quantity and scope of special funds for which Portugal — by definition an underprivileged region — is tailor-made.

Regional funds

There are regional funds, which help to develop small and medium businesses, infrastructures and local tourism. There are funds to help modernise and organise agriculture or agro-business. There are all the programmes that train Portuguese cadres how to use the funds and the mechanisms, the price support systems, market organisation and industrial associations — a boon for a nation desperately short of resources and trained personnel.

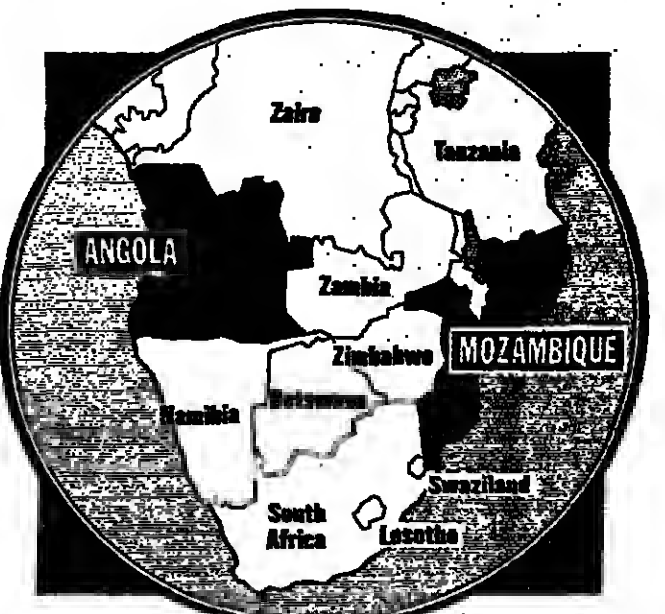
On the less rosy side, the country's weak small-medium businesses, constantly being yanked from the jaws of bankruptcy by loans they can never afford to repay, will be forced by EEC membership finally to face hard economic facts. Many

Portuguese businesses drifted through the captive markets of the former African colonies, being bought from rather than selling. Having lost the markets it is less easy to lose competitive attitudes.

But the risk has to be faced, according to all Portuguese who understand their countrymen's peculiar gift for responding well to external rather than internal challenge.

Back in 1970 Sr Soares, who headed Portugal's first Government elected by universal suffrage since the 1920s, saw EEC membership as protection against totalitarian temptations from the Right or Left. That philosophy still pervades Portugal's urge to link its destiny to a common concern for parliamentary democracy.

Under this umbrella — Portuguese democrats hope — it will be next to impossible for civilian or military extremists to attempt to convert the country into a common concern for parliamentary democracy. Under this umbrella — Portuguese democrats hope — it will be next to impossible for civilian or military extremists to attempt to convert the country into a common concern for parliamentary democracy.



are very active in some sectors, notably civil engineering, the trade record has been uneven. Portuguese exports to the ex-colonies soared in 1981 to over £5 19bn and sagged to £5 16.6bn last year — five per cent of total foreign sales. The first half of this year has seen a sharp recovery, more than doubling the figure for the corresponding period of 1982. Sales to Angola, which accounted for almost half the total, rose by 138 per cent, but were still not back to 1981 levels. Sales to Mozambique have climbed steadily but the other countries have shown mixed results.

With Angola, Portugal has a commercial agreement dating back to 1979 and special financial arrangements between central banks to cover exports of capital goods and services. Similar pacts have been established since 1980 with Mozambique, together with inter-company agreements in building, shipyards, chemicals, textiles and mechanical engineering.

Portugal's problem, in its bid to place the emphasis on technical co-operation, is that it has

little money to put behind it. A recently joined member of both the African Development Bank and the International Development Association, it has been trying to sound out other Western countries on three-way deals to obtain financial backing, so far without visible success.

Nevertheless, the Portuguese believe they can serve an essential purpose in providing an entree to these parts of Africa. On the diplomatic level, too, there is an important — if low-key — role to be played by Portugal through its connections in the two Portuguese-speaking front-line states of southern Africa.

Post-colonial diplomacy is a hand the Portuguese are justifiably careful not to overplay. "To see Portugal as a go-between would be overstating the possibilities," said a Lisbon diplomat.

On the other hand, new economic relations rest on more than colonial links. Portugal is literally a country between the developed and underdeveloped worlds and Africa is the most obvious place for that to be turned to good account.

Heavy investment in modern machinery

THE ARCO factory in the little village of Santo Tirso, just outside Oporto, is working flat out round the clock producing cotton fabrics that will eventually be made up into shirts and blouses for chain stores in Britain, France and Germany. Marks and Spencer and Mothercare are among the stores that will sell clothes made from its cloth.

Arco is typical of the industry in Portugal. It is investing heavily, has the very latest machinery — 30,000 new spindles, 380 looms, many of them ultra-high speed shuttleless — and working to capacity. Portugal has become a flourishing oasis in a European textile industry that has been battered since 1979 by the worst depression it has known.

Production figures show the progress. Between 1975 and 1980, the last year for which figures are available, production of cotton fibres rose from 128,884 tonnes to 163,053 tonnes. The rise in artificial fibres was even more dramatic — from 7,943 tonnes to 32,842 tonnes.

This rise has been translated into exports, which are causing serious concern in Portugal's main markets of Britain, Germany, Sweden and France. Since 1977 Portuguese clothing exports have doubled in volume and risen fourfold in value, with the EEC taking 63 per cent of overseas sales.

The industry's success has come about through a willingness to invest in new machinery, low wages and because of rapid inflation in Greece, its main European competitor as a low-cost supplier. In addition, it has helped by being largely privately owned, which has allowed a very conservative dividend policy. There has also been a rethinking among its main buyers which has seen many of them abandon some of their Far Eastern suppliers, as costs there have risen, in favour of Portugal.

Among all these attributes the willingness to plough back profits has been the main factor in producing success. Portugal's industry may still have its old-fashioned black spots but its leading producers are as modern as the best anywhere.

In Portugal's case it is also about low wages which cannot be ignored. Other companies in other countries have also invested heavily — though probably not on the scale of the Portuguese — but they do not have the benefit of Portuguese wage costs, which make an

important difference in the labour-intensive clothing side of the business. The average wage on the textile side is about £14,000 a month, though some firms such as JMA pay more; in clothing the average is rather less. With shift-working premiums up to 90 per cent at nightwork, and a mandatory 13th month's pay for holidays, together with a 14th month for Christmas, the worker's pay will probably

come somewhere around £40 a week, a figure below that now being paid in Hong Kong.

The low prices which have resulted from this policy — Portuguese towels are probably half the price of those home-produced in Britain, for example — has led a lot of buyers away from the Far East and on to the plane for Oporto. The industry gets some help from the Government in the form of soft loans geared towards export turnover. Since all the companies sell a considerable part of their output overseas — JMA 90 per cent, Samedes 80 per cent, Moxder 80-90 per cent, Arco 60 per cent — they all benefit.

These loans allow a discount of up to 10 points on commercial borrowing rates, now around 30 per cent. Since there has been virtually no equity market since the revolution in 1974 bank borrowing is an important factor in supplementing ploughed-back profits.

The geographical location of the industry has also helped by keeping down the low wages. Most of the factories, like Arco's, are to be found in rural settings. The country's famous vines, which make the vinhos verdes wines, creep around many factory perimeters.

Santo Tirso, Arco's home, is an unlikely place to find a textile plant for those situated on the dark Atlantic mile of Manchester or Milan. The town has a population of about 2,000 yet sustains five companies which provide jobs for 4,000.

Santo Martinho do Campo is a mirror-image. Its 14 mills employ over 7,000 people although the town's population is just 2,200.

To get their workers the plants scour a wide area and since the only alternative work in this part of Portugal is in the depressed agricultural

industry — small holdings run uneconomically — it is possible for the employers to keep wages close to a minimum.

The has left the industry extremely well placed for entry into the EEC, provisionally pencilled in for next year but now, it is thought in Lisbon likely to be delayed by at least a year.

Much of the new investment has been made with the specific intention of getting the industry ready for the EEC. Senhor Alfredo Almeida, a director of JMA, is specific: "We told ourselves that if we were to join in 1984 then we needed to have completed all our capital spending by 1982. This would allow us two years in which to build up our cash flow. We are on target."

The great attraction of the Common Market is that Portugal will have unlimited access after a period of accession. At the moment it is tightly controlled by quotas, though there is a looser agreement with the UK because the two countries were both at one time members of the European Free Trade Area.

There is another attraction: entry will almost certainly mean changes in Portugal's labour laws. These are very restrictive and have made it difficult since the revolution for an employer to lay off workers except under stringently controlled conditions. When EEC directives become applicable the industry will be able to match its workforce to its needs; despite all its present success, there is evidence that some factories are overmanned.

EEC entry will also encourage the return of more professional managers, lack of whom is one of the weaknesses not just in textiles but throughout industry.

There is another glaring weakness of which the Portuguese are also aware. Virtually all the producers turn out goods which eventually sell under someone else's name. There is no internationally-known Portuguese brand name and until the industry creates one it will continue to be thought of as a supplier rather than a creator of clothes and household linens.

While the Portuguese are aware of these they appear to be blinded at the moment by the prospect of all those tariff barriers around the Common Market falling down as the walls of Jericho once did. They can hardly be blamed even if it might be rather a short-term view.

Textiles

ANTHONY MORETON

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday September 14 1983



IFC urges more cash to bridge debts gap

By Peter Montagnon, Euromarkets Correspondent

THE International Finance Corporation, an affiliate of the World Bank, is to step up its efforts to promote direct foreign investment in developing countries as one means of filling their growing payments gap.

Mr. Judithv Parmer, IFC vice-president, told a press conference in London that IFC plans to increase its own investment spending to about \$80m annually from last year's \$55m, which was itself a record.

IFC officials argue that investment opportunities in developing countries are growing, now that many are dropping restrictions in key areas such as majority ownership. The financial problems of the countries concerned have also led to devaluations which make them more attractive as a manufacturing base.

The IFC, which was set up in 1956 to promote investment flows to the developing world, acknowledges that its cash assistance has been relatively small, but officials claim that it has acted as a catalyst in channelling large amounts of finance to poorer countries.

Its annual report, published today, states that a record \$945m in loans and equity participations were approved in the fiscal year ended June 30. These went to 58 companies in 38 countries.

Unlike the World Bank, the IFC concentrates on private sector operations and does not use government guarantees for its finance. This means it is more exposed to losses, and last year the poor investment climate led to increased losses of \$99.6m compared with \$84m a year earlier.

Nonetheless, its actual losses last year amounted to only \$10.1m, bringing total losses since 1956 to \$30.6m out of total funds disbursed of \$2.2bn. Net income in 1982-83 rose to \$23m from \$21.5m.

Keep Cast in Canada, says bank

By Robert Gibbons in Montreal

THE Royal Bank of Canada, which now owns the Cast North Atlantic container business through an indirectly controlled offshore subsidiary, Cast (1983), would like to see the operation "end up in Canadian hands."

Mr. J. H. Burnett, bank vice-president and general counsel, said the bank was committed to selling the Cast container operation when the opportunity came. While there were no buyers interested at the moment, container rates were firming and the business could be successful again.

This adds support to a widespread belief in Montreal shipping circles that a Canadian-controlled consortium is likely to buy the Cast container operation when it is on a firm footing again. Several Canadian-controlled shipping companies, which have successfully weathered the recession, have looked closely at the Cast operation. One possible participant said such a consortium would require an experienced and well-financed European partner. With restructuring of the Cast container business by the Royal Bank, the former parent, Eurocanadian Shipholdings (ESL), and founder and chief shareholder, Mr. Frank Narby, are out of the picture. ESL is now in liquidation in Bermuda.

Canadian National Railways (CN) is an 18 per cent shareholder in ESL.

Hewlett takes control of Japan affiliate

By William Hall in New York

HEWLETT-PACKARD (HP), the fast-growing U.S. electronics group, is buying majority control of its Japanese affiliate, Yokogawa-Hewlett-Packard (YHP), in a deal understood to be worth more than \$30m.

YHP, which was formed as a joint venture between Hewlett and Yokogawa-Hokushin Electric of Tokyo in 1963, is one of Hewlett's major overseas operations. It employs 2,000 people and has sales of over \$250m. YHP manufactures a proprietary line of electronic instruments for measuring the electrical characteristics of components and integrated circuits which are distributed throughout the world by Hewlett-Packard's sales force. It also sells HP-developed products in Japan.

Hewlett plans to increase its stake in the Tokyo-based YHP from 49 per cent to 75 per cent by purchasing 1.467m new shares for an undisclosed price.

Hewlett-Packard says that the deal is intended to "provide a broader charter for YHP in applying its manufacturing and marketing expertise in support of Hewlett-Packard computers and other electronic products supplied to HP's Asian customers."

Hewlett says that its increased emphasis on providing customers with complete measurement and computational solutions rather than single products required YHP to establish a closer working relationship with Hewlett's worldwide organization.

John Young, Hewlett's chief executive, said yesterday that the deal will "strengthen YHP's marketing and customer support in Japan, and will assist HP's Far East headquarters in Hong Kong in providing greater sales and service capability to all HP customers in the Far East."

Brazil will make new Singer machine

By Andrew Whitley in Rio de Janeiro

SINGER, the U.S. aerospace and sewing machine company, still intends to concentrate its production of sewing machines worldwide in only two manufacturing centres, Taiwan and Brazil, despite the gloomy domestic outlook for Brazilian industry during the next few years.

A major step in this long-term plan is the decision to use Brazil as the manufacturing base for a new "world sewing machine," to be exported to the U.S. and Europe from next January.

This sophisticated new model, codenamed Phoenix, will be for export only, using the spare capacity and cheap labour available in Singer in Brazil to compete on more favourable terms with the Japanese manufacturers, Singer's main rivals in world markets.

During the next 10 years Singer do Brasil, the wholly owned local subsidiary, has committed itself to the Brazilian Government to earn \$500m worth of exports. This year's exports are estimated at \$40m, up from last year's \$30m.

The U.S. company's operations in Brazil are almost an archetypal case study of the way in which a well established multinational facing hard times in the local market is having to export its way out of trouble.

Domestic sales of sewing machines fell 30 per cent last year, contributing to a small year-end loss. Pre-tax profits were \$6.5m (U.S. \$144,000).

Exports last year amounted to 55 per cent of the total output of 800,000 units, and are expected to take a higher share this year with the virtual collapse of Brazil's consumer durables sector.

In recent years Singer do Brasil, which has a net value of 13.9bn cruzeiros (\$2.2m at the current exchange rate) and is the parent company's largest foreign subsidiary, has diversified into related areas, such as home tools and electric motors for other users, with modest success.

It is still heavily dependent, however, on its traditional sewing machines. In 1981 Singer had a 45 per cent share of a domestic market worth approximately \$260m.

The U.S. company is hoping for a recovery in its domestic sales by 1985 but for the moment it is concentrating on exports, which last year went to 80 countries.

Singer explains that new investment in the Phoenix project is only \$1m because little retooling is needed and the capacity is already available at its manufacturing plants in Sao Paulo state.

By going for a world model, made in Brazil for export, Singer follows a path already trodden by the major vehicle manufacturers. The difference is that, in Singer's case, production of similar products by its plants in industrialised countries, such as the U.S. and Italy, is being run down and gradually replaced by the output from Brazil and Taiwan.

Tooth boosts earnings to A\$28m

By Michael Thompson-Noel in Sydney

AUSTRALIA's Tooth and Company, which is controlled by the Adelaide Steamship Company (Adsteam), has reported a net profit of A\$28.3m (U.S. \$24.8m) for the year to June 30.

Direct comparison with the previous trading period, which covered 15 months, is not possible, but, on an adjusted basis, earnings rose from 21.8 cents a share to 40.3 cents.

The dividend of 35 cents per share has been declared, compared with 30 cents for the previous 15 months, an effective distribution increase of 48 per cent.

The net result included an equity accounted contribution of A\$8.8m from Tooth's 47.2 per cent stake in H. C. Sleight and 47.3 per cent stake in National Consolidated.

Tooth said recently it was selling its brewing interests to Carlton and United Breweries for A\$180m. It said yesterday that it would use the money to reduce group debt.

Interest charges in the period to June 30 rose from A\$22.4m to A\$35.5m.

Commonwealth Steel Company, a subsidiary of Broken Hill Proprietary, is negotiating a takeover of Vickers Australia, 66 per cent owned by Vickers of the UK.

The local company, which has a current share market valuation of A\$25m, and net asset backing of A\$46.2m, yesterday reported a 24 per cent fall in net profit for the six months to June 30, to A\$1.8m.

Interim dividend is unchanged at 2.5 cents a share.

FRAGMENTATION OF AT&T LAUNCHES MUTUAL FUNDS

Breaking up a giant

By Terry Dodsworth in New York

THE DISMEMBERMENT of American Telephone and Telegraph (AT&T), the world's most widely-held joint stock company, will be an extraordinary event, even by Wall Street standards. When the U.S. telecommunications group is broken up at the beginning of January, it will involve the redistribution of not far short of 1bn shares among eight separate entities formed from the entrails of old Ma Bell. One out of every 10 common stock holder in the U.S. will be affected.

Wall Street is convinced that many of these shareholders will be deeply irritated by this jolt to the ordered pattern of their investing lives. Its response has been to launch a variety of mutual funds designed primarily to take over an individual's entire AT&T holding and manage it for him.

A large portion of AT&T shares are held by investors who have bought the company and locked it away quietly for its better than average yield (currently 8 per cent) and steady - if unexciting - growth. According to the broking community, AT&T shareholders tend to be cautious and conservative - the ideal targets for a securities industry which is only too happy to offer them a similarly serene future in return for a little extra turnover.

The primary difficulty for AT&T investors is administrative. The break-up, however well organised, will be a messy business. It is intended that holdings will be split up between the eight companies (the parent and seven new regional telephone groups) on the basis of one share in each of the regional entities for every 10 common shares in the parent AT&T. But fractional shares - in quantities not evenly divisible by 10 - will not be issued. Thus shareholders with very small stakes - fewer than 10 shares - will be paid only cash and larger holders may receive some cash representing the market value of their fractional shares.

A further complication is the longer-term management of the portfolio. If investors do nothing to

change the distribution of their new holdings, they will have lost what for many was the principal attraction of investment in AT&T - its simplicity. Rather than one single investment giving extremely broad exposure to the U.S. telecommunications industry, they will have certificates in eight different companies.

Many shareholders are expected to have strong preferences for particular regional telephone companies, for either sentimental or hard-headed investment reasons. Their initial move into the fund will give them a breathing space to consider their options.

E. F. Hutton has launched a similar fund, but is also allowing former AT&T holders to back out and into a specially formed telecommunications managed fund - again at no extra charge. This will hold a much broader swathe of telephone companies.

The managed fund concept has also been taken up by Prudential, but in a rather more radical form. Prudential is offering AT&T shareholders a once and for all move into a much more diversified telecommunications growth fund with adventurous objectives.

Telecommunications, Prudential argues, are poised for extremely rapid expansion over the next decade, and there are several high growth - if high risk - investments available. It will therefore absorb AT&T holdings, sell the shares before March, and then reinvest the proceeds across a broader range of the industry - aiming for capital growth rather than yield. It expects share prices of the AT&T spin-offs to be sufficiently lively during the sale period for the fund to be able to dispose of its holdings satisfactorily.

All of this comes tax-free because investors are simply exchanging the shares for units. Investors lose a 1.5 per cent sale fee and they may also get a slightly smaller income from dividends than before because the newly launched companies will probably set more conservative payment policies - a problem that would have arisen for investors, of course, whether in or outside the funds.

The fund managers, however, have a number of schemes for giving investors more exciting options if they want to pursue a more active policy. Merrill Lynch, which was

Profits at Macy's up with boom in spending

By Terry Dodsworth in New York

THE RECENT recovery in U.S. retailing helped R. H. Macy, the department store company, to a 38 per cent increase in net profits at \$188.7m for the year to July. Earnings per share rose to \$3.72 from \$2.74, while sales were up by 16 per cent to \$3.5bn.

In the final quarter, Macy's earnings growth began to slacken slightly with net profits up by just under 30 per cent to \$42.7m. Sales increased by 16.8 per cent to \$899m in the period - about 1 percentage point better than the industry average according to the company.

Macy benefited during the year from a \$3m reduction in net interest costs, while also improving its net margins through a tighter control of overhead costs. All divisions of the group, which operates on a coast to coast basis, contributed to the upturn.

Macy said yesterday that by early October it will be operating 93 stores in the U.S. The group's most recent openings have been concentrated on the fast-growing sunbelt areas of California and Florida.

Ambrosiano deposits rise

By Our Financial Staff

NUOVO Banco Ambrosiano, the bank created after last year's collapse of Banco Ambrosiano, may break even at the operating level for its first financial year, ended June 1983.

Speaking at the inauguration of a new branch, chairman Sig. Giovanni Bazzoli said the bank had regained much of its deposit base. Deposits had risen to 13,000bn (\$1.83bn) from 11,800bn at the time of Ambrosiano's collapse.



Pecten Cameroon Company

(a company indirectly owned 80% by Shell Oil Company and owned 20% by Societe Nationale des Hydrocarbures, the state-owned oil company of the United Republic of Cameroon)

US \$ 350,000,000
Project Financing

for the purpose of funding certain production and development expenditures relating to oil fields located offshore in the United Republic of Cameroon

Lead Managers

Crédit Lyonnais

Bankers Trust Company

Co-Managers

The Bank of Tokyo Trust Company
Chemical Bank
National Westminster Bank Group

Banque Nationale de Paris
The First National Bank of Chicago
The Royal Bank of Canada Group

Chase Manhattan Capital Markets Group
Manufacturers Hanover Trust Company
Société Générale

Funds also provided by

Amsterdam-Rotterdam Bank N.V.
Continental Illinois National Bank and Trust Company
Irving Trust Company

Bank of America NT & SA
Lloyds Bank International Limited

Bank of Montreal
Mellon Bank, N.A.

and by

Algemene Bank Nederland N.V.
Banque Internationale pour l'Afrique Occidentale (B.I.A.O.) London Branch
The First National Bank of Boston
SFE Banking Corporation Limited - SFE Group

Bank of New York
Midland Bank plc

Banque Indosuez
European American Bank & Trust Company
Paribas Bank International (Texas) Inc.
Union Bank of Switzerland

Financial Agent

Crédit Lyonnais

Technical Agent

Bankers Trust Company

May 1983



N.V. Beleggingsmaatschappij Wereldhave
(Investment Company with variable capital)

The undersigned announces that copies of a statement to shareholders of N.V. Beleggingsmaatschappij Wereldhave and to holders of 3% Loan Stock 1977-1982/85, convertible into Ordinary Shares of N.V. Beleggingsmaatschappij Wereldhave, for the account of N.V. Wereldhave International, are available as from September 13, 1983 at the head offices of

Pierson, Helderling & Pierson N.V.

Algemene Bank Nederland N.V.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Bank Mees & Hope N.V.

Credit Lyonnais Bank Nederland N.V.

Kempner & Co. N.V.

in Amsterdam, Rotterdam, The Hague and Utrecht, for so far as there established, at Morgan Grenfell & Co. Limited in London, and at the Company's offices Nassaulaan 23, The Hague.

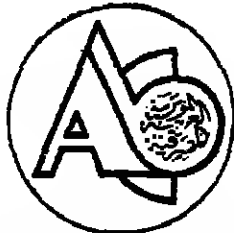
The Hague, September 13, 1983

N.V. Beleggingsmaatschappij Wereldhave

New Issue

This announcement appears as a matter of record only.

September 14, 1983



Arab Banking Corporation (B.S.C.)

Manama, Bahrain

DM 100,000,000

8% Deutsche Mark Bearer Bonds of 1983/1988

Issue Price: 99 1/4%

COMMERZBANK
AGTIENGESELLSCHAFTABU DHABI INVESTMENT
COMPANY

BANK OF CHINA

COUNTY BANK

CREDIT LYONNAIS

KREDITBANK INTERNATIONAL
GROUPKUWAIT FOREIGN TRADING
CONTRACTING & INVESTMENT CO.
(S.A.K.)MORGAN STANLEY
INTERNATIONALSWISS BANK CORPORATION
INTERNATIONAL LIMITEDRICHARD DAUS & CO.,
BANKERS

Algemeine Bank Nederland N.V.
Al-Mal Group
Amro International Limited
Arab Latin American Bank
Banca Commerciale Italiana
Banca del Gottardo
Banca Araba Española, SA
Banca di Roma
Bank Gutzwiller, Kurt, Bungen
(Overseas) Limited
Bank Leu International Ltd.
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
Banque Générale de Luxembourg S.A.
Banque Indosuez
Banque Internationale de Luxembourg S.A.
Banque Nationale de Paris
Banque Paribas
Banque Worms
Barclays Bank Group
Bayerische Hypothek- und Wechsel-Bank
Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Joh. Benzenberg, Gossler & Co.
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Bankhaus Gebrüder Bethmann
Blyth Eastman Paine Webber
International Limited
Caisse des Dépôts et Consignations
Chase Manhattan Limited
Chemical Bank International Limited
CIBC Limited
Citicorp Capital Markets Group
Commerzbank International S.A.
Commerzbank (South East Asia) Ltd.
Continental Illinois Capital Markets Group
Copenhagen Handelsbank
Creditanstalt-Bankverein

Credit Suisse First Boston Limited
Credito Italiano
Daiva Europe Limited
Delbrück & Co.
Den Danske Bank af 1871 Aktieselskab
Deutsche Bank Aktiengesellschaft
Deutsche Girozentrale
— Deutsche Kommunalfbank —
DG Bank
Deutsche Genossenschaftsbank
Dominion Securities Ames Limited
Dresdner Bank Aktiengesellschaft
DSB Bank Deutsche Städtische- und
Landesrentbank
Effectenbank-Warburg Aktiengesellschaft
Euroholland S.p.A.
EuroPartners Securities Corporation
European Arab Bank
European Banking Company Limited
Fiji International Finance Limited
Genossenschaftliche Zentralbank AG
Vienna
Girozentrale und Bank
der österreichischen Sparkassen
Aktiengesellschaft
Goldman Sachs International Corp.
Gulf International Bank B.S.C.
Hambros Bank Limited
Hamburgische Landesbank
— Girozentrale —
Handelsbank N.W. (Overseas)
Limited
Georg Hauck & Sohn Bankiers
Kommanditgesellschaft auf Aktien
Hessische Landesbank — Girozentrale —
Hilf Samuel & Co. Limited
Industriebank von Japan (Deutschland)
Aktiengesellschaft
Istituto Bancario San Paolo di Torino
Kiddier, Peabody International Limited
Kleinwort, Benson Limited
Kreditbank S.A. Luxembourggoise

Kuwait International Investment Co. S.A.K.
Kuwait Investment Company (S.A.K.)
Landesbank Rheinland-Pfalz
— Girozentrale —
Lloyds Bank International Limited
LTCB International Limited
Manufacturers Hanover Limited
Merck, Finck & Co.
Merrill Lynch International & Co.
R. Metzler seel. Sohn & Co.
Mitsubishi Bank (Europe) S.A.
Mitsui Finance Europe Limited
Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited
The Nikko Securities Co. (Europe) Ltd.
Norddeutsche Landesbank
Girozentrale
Österreichische Länderbank
Aktiengesellschaft
Orion Royal Bank Limited
Pierson, Helling & Pierson N.V.
Sawwa Bank (Underwriters) Limited
J. Henry Schroder Wagg & Co. Limited
Schroder, Münchmeyer, Hengst & Co.
Smith Barney, Harris Upham & Co.
Incorporated
Société Générale
Société Générale de Banque S.A.
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Trinkaus & Burkhart
Union Bank of Switzerland (Securities)
Limited
Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co.
ALMA, Warburg-Brückmann, Wirtz & Co.
S.G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale
Westfälische Landesbank Aktiengesellschaft
Wood Gundy Limited
Yamaichi International (Europe) Limited

INTL. COMPANIES & FINANCE

Pakistan embarks on a new plan to charm back private enterprise

THE PAKISTAN Government is seeking a bigger role for the neglected private sector, to boost new industry. The state sector raised its pre-tax profit by 47 per cent to Rs 1.1bn (\$850m) in the year to June 30, 1983, from Rs 747m (\$56m) in 1980-81.

While the country's state sector claims that it is growing, the Government, somewhat paradoxically, proclaims its wish to boost private business. The state-owned industry expansion is reflected in the 985-page annual report for the year to June 30, 1983, unveiled some weeks ago by the Ministry of Production.

Pakistan's private sector, demoralised by an anti-business environment in the late 1960s, and humiliated by a socialist government in the 1970s, has behaved as the reluctant groom of the Pakistani economy over the past 15 years. Now an up-dated, sixth Five-Year Plan provides for 85 per cent of all industry to be established by private enterprise and 15 per cent by the state, compared with an earlier draughted 90:10 ratio.

President Zia-ul-Haq's efforts to charm private enterprise back to action have been undermined by a conservative bureaucracy's tight regulation of the economy and by customs and excise duties, as well as by corporate and personal taxes in the annual budgets in the past six years.

The Government now realises the sheer necessity of developing industry, fast, in order to feed the domestic market, substitute imports, and enlarge export of manufactures. This is a task the sixth Five Year Plan, from July 1 1983 to June 30 1988, sets out to meet.

The Plan assigns a larger role to the private sector, ending a decade-old preference for the public sector.

The Industries Ministry finalised sanctions for \$4bn private development in the last five years. Industrial units established or lined up are, however, 20 to 25 per cent of that amount. The largest number of these units are in synthetics, polyester, chemicals and paper products. Textiles are the third principal group. Tractors, automotive spares, electronics and construction are other fields which are attracting investment. The sixth plan is geared to

Pakistan is seeking foreign investment in "capital intensive and sophisticated industries," as announced in London in April by Mr Ghulam Ishaq Khan, Minister of Finance. But behind this lies the aim of increasing the rate of private sector investment in general, MOHAMMED AFTAB reports

and enjoy a complete monopoly in many items, like motor vehicle assembly, cement and heavy engineering. They have a predominant or a large share of the market in an array of chemicals, light engineering, fertiliser, petroleum products and tractors.

This market predominance, together with the Government's fixing prices of most items, means that the state enterprises have been accused of price increases not altogether necessary.

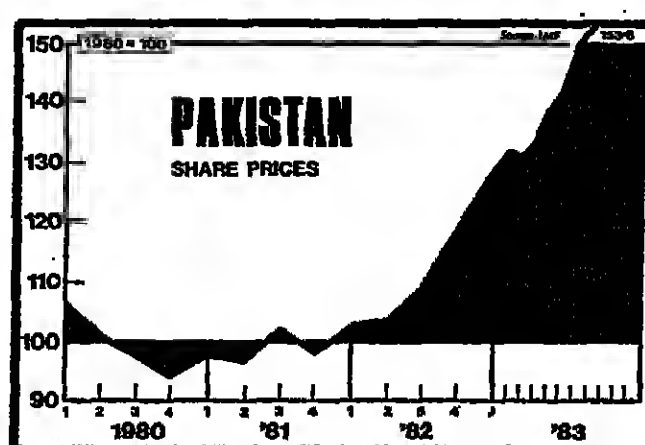
The cost of production at the state concerns is high. The reasons are several. They pay a high price for imported machinery, the bureaucrats who run them are inexperienced in their management and in most cases there is no competition to spur price-cutting or improvement or quality. At the same time, the Government, beset with its own spiralling spending, finds the state-made goods a convenient instrument to raise revenue, and frequently increases prices.

The state sector, helped by the Government, has however kept a good investment record over the years. The estimated cost of its projects being implemented or planned totals Rs 45.9bn, including a foreign exchange cost of Rs 18.5bn. The Soviet-built Pakistan Steel plant at Karachi accounts for Rs 27.7bn, or 60.5 per cent of the total. The 1.1m tonne a year steel plant is scheduled to go into full production in little more than a year.

Although the state business' performance is improving since General Saeed Qadir took over as Production Minister, they still have a lot of ground to make. Out of 22 items they manufacture, for instance, production of 19 was below their annual capacity in 1981-82. Ammonium sulphate, superphosphate and tractors were unusual in that production overshoot set capacity. The annual report, however, points to 27 concerns operating at 75 per cent of capacity or above.

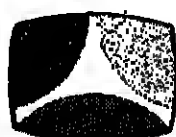
The Government may, however, take satisfaction in the state units paying taxes to the Government up from Rs 1.7bn five years ago, to Rs 3.5bn in 1980-81, and to Rs 3.6bn in 1981-82.

"We do not evade taxes, as the private sector used to do before nationalisation," says a state official.



All of these securities having been sold, this announcement appears as a matter of record only.

September, 1983



Intelligent Systems Corp.®

1,250,000 Shares

Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

ROBINSON HUMPHREY/AMERICAN EXPRESS INC

HAMBRECHT & QUIST

A. G. BECKER PARIBAS

THE FIRST BOSTON CORPORATION

BLYTH EASTMAN PAINE WEBBER

ALEX. BROWN & SONS

DONALDSON, LUFKIN & JENNETTE

DREXEL BURNHAM LAMBERT

GOLDMAN, SACHS & CO.

E. F. HUTTON & COMPANY INC.

KIDDER, PEABODY & CO.

LAZARD FRERES & CO.

LEHMAN BROTHERS KUHN LOEB

MERRILL LYNCH CAPITAL MARKETS

PRUDENTIAL-BACHE

ROBERTSON, COLMAN & STEPHENS

SALOMON BROTHERS INC

SHEARSON/AMERICAN EXPRESS INC.

SMITH BARNEY, HARRIS UPHAM & CO.

WERTHEIM & CO., INC.

DEAN WITTER REYNOLDS INC.

MONTGOMERY SECURITIES.

MOSELEY, HALLGARTEN, ESTABROOK & WEEDEN INC.

OFFENHEIMER & CO., INC.

PIPER, JAFFRAY & HOPWOOD

ROTHSCHILD INC.

THOMSON MCKINNON SECURITIES INC.

ARNHOLD AND S. BLEICHROEDER, INC.

BASLE SECURITIES CORPORATION

BATEMAN EICHLER, HILL RICHARDS

SANFORD C. BERNSTEIN & CO., INC.

WILLIAM BLAIR & COMPANY

BLUNT ELIS & LOEWI

BOETTCHER & COMPANY

J. C. BRADFORD & CO.

BUTCHER & SINGER INC.

DAIN BOSWORTH

ROBERT FLEMING

FOSTER & MARSHALL/AMERICAN EXPRESS INC.

FURMAN SELZ MAGER DIETZ & BIRNEY

JANNEY MONTGOMERY SCOTT INC.

JOHNSON, LANE, SPACE, SMITH & CO., INC.

KLEINWORT BENSON

LADENBURG, THALMANN & CO. INC.

MCDONALD & COMPANY

NEUBERGER & BERMAN

NOMURA SECURITIES INTERNATIONAL, INC.

PRESCOTT, BALL & TURBIN, INC.

RAUSCHER PIERCE REFSNES, INC.

ROTAN MOSLE INC.

SANYO SECURITIES AMERICA INC.

SCHNEIDER, BERNET & HICKMAN, INC.

WHEAT FIRST SECURITIES, INC.

BANK JULIUS BÄR & CO. AG

BANQUE INDOSUEZ

CAZENOVE & CO.

GRIEVESON, GRANT & CO.

HAMBROS BANK

HILL SAMUEL & CO.

SAMUEL MONTAGU & CO.

MORGAN GRENELL & CO.

PICTET INTERNATIONAL

PIERSON, HELDRING & PIERSON N.V.

J. HENRY SCHROEDER WAGG & CO.

VEREINS- UND WESTBANK

First Finance Corporation (UK) Limited

NON AUDITED STATEMENT OF ACCOUNT MARCH 31, 1983

(1) ASSETS		£
I. Cash and cash items	443,026	
Interest due at call	448,270	
Due from banks interest receivable	2,300,000	
Total cash and due from banks	3,191,296	
II. Securities sold privately	15,000,000	
III. Commercial loans	6,510,000	
IV. Real estate investment (A)	4,800,000	
Real estate investment (B)	618,000	
Real estate investment (C)	17,716,267	
Total real estate investment	23,129,267	
V. Adjustable currency gains and losses	89,911	
VI. Subsidiaries U.S.A. - FFC Group of Companies	1,000,000	
Subsidiaries BRAZIL	100,000	
Subsidiaries FRANCE	120,000	
Subsidiaries U.K.	65,000	
Total investment in subsidiaries	1,285,000	
VII. Premises and equipment	302,500	
VIII. Accrued interest	175,500	
Other assets	2,850,000	
IX. Credit instruments uncollected	9,750,000	
TOTAL ASSETS	62,283,474	
(2) LIABILITIES		£
I. Outstanding securities	15,000,000	
Interest payable December 31, 1983	4,294,080	
Time securities on real estate investments	17,928,585	
Commercial loans	6,510,000	
Other liabilities	120,000	
Credit instruments outstanding	9,500,000	
Total liabilities	53,352,625	
II. Due to banks	89,911	
III. Common issued stock	425,002	
IV. Dividends not yet declared	NONE	
V. Undivided profits	8,415,936	
GRAND TOTAL	62,283,474	

INTERNATIONAL COMPANIES and FINANCE

Marginal midway rise at Marui

BY YOKO SHIBATA IN TOKYO

MARUI, Japan's largest department-store chain, based in Osaka, has announced a policy of opening all its stores next to major railway stations, has lifted half-year unconsolidated net profits to ¥3,010bn from ¥4,840bn.

Parent company pre-tax profits in the period to July 31, reached ¥10,160bn, up by 4.3 per cent from the previous year. Sales were up 6.5 per cent to ¥129bn from ¥121bn. Profits per share were ¥21.57 compared with ¥23.22. The company attributed its slow earnings growth to sluggish consumer spending.

Marui's sales at its existing stores rose by only 1.2 per cent

in the period. In view of a move in consumer spending patterns away from consumer durable goods towards leisure and services, the company has shifted its emphasis to the expansion of service outlets and consumer finance.

As a result, turnover in the service sector grew by 61.8 per cent from the same period of the previous year, but still only accounted for 4.3 per cent of the total.

Of total sales, women's clothing accounted for 21.5 per cent (up by 7.1 per cent), mens clothes and goods for 17.1 per cent (up by 3.1 per cent), furniture and household utensils for 14.0 per cent (up by 3 per cent), and electric goods and musical instruments for 15.4 per cent (up by 5.4 per cent).

Negative factors, such as higher depreciation costs and heavier interest payments following the opening of new outlets and lower profit margins resulting from lengthened instalment repayment periods were offset by good earnings from the service sector.

In the current half year, ending January 1984, the company expects good sales contributions from its newly opened Kinshicho store. From August, the company introduced no-deposit credit sales to all its stores and expanded the

Chartered unit complies

KUALA LUMPUR—The technicalities for locally incorporating the British-owned Chartered Bank have been completed, according to Mr N. H. Green, the outgoing manager.

The restructuring of the bank's equity in line with the New Economic Policy of Malaysia, which stipulates that at least 30 per cent of shares must be held by indigenous Malays, will take place "when the Government feels the time is right," said Mr Green.

Only the Malaysian operations

Loss narrowed at UEL

SINGAPORE—United Engineers reported yesterday that its first-half group pre-tax loss narrowed to S\$3.6m (U.S.\$1.68m) from S\$15.9m in first half 1982. It reported a 25 per cent decline in turnover to S\$33.2m.

The heavy equipment and engineering group said turnover fell due to continued poor trading conditions. It also cited the loss of a number of product agencies which had been due to improved management and the termination of unprofit-

Norwegian survey group to go public

By Fay Gjester in Oslo

GECCO, the Norwegian seismic survey company, has put 24 per cent of its capital up for sale, says its owners.

The company, owned by the Norwegian state-owned company, is seeking around Nkr 96m (\$131m) for the shares. The two partners—DanV carries out ship and rig classifications, materials testing and other consultancy services while KV is a state-owned oil company, engineering and electronics company—hope to bring in new owners to strengthen Gecco's equity and prepare it for further expansion.

It is already the world's third largest marine seismic company, with turnover this year forecast at Nkr 950m, compared with Nkr 825m in 1982.

The placing is planned for this month. Some time next year Gecco will seek a listing on the Oslo Bourse and will launch an issue of new shares to raise "several tens of millions of kroner."

India seeks further fall in RBI influence

BY R. C. MURTHY IN BOMBAY

AN Indian Government effort to remove from the Reserve Bank of India its powers to license foreign banks to open branches in the country has set the two on a confrontation path.

Discontent has been simmering at the Finance Ministry in New Delhi over the RBI's stance on many issues. In recent years, the annual reports of the Reserve Bank have been rather frank on the government's actions. Dr Manmohan Singh, the bank's governor, has differed from the government on issues such as non-resident Indian investment and takeover bids made by Indians living overseas. Dr Singh is on record as saying that capitalists of industry should have clear guidelines so that they should not constantly be looking over their shoulders for takeover bids instead of planning for corporate growth.

What has brought matters to a head was the issue of licensing the Bank of Credit and Commerce International (BCCI), which has been waiting for an RBI clearance for more than four years to convert its representative office in Bombay into a fully-fledged branch.

The Reserve Bank is apparently not satisfied with the BCCI application, arguing that it is not eligible to open an office on the grounds of lack of reciprocity, which has been generally the basis for allowing foreign banks in India. It is on this issue that proposals from both Midland Bank and Barclays to open branches are still pending (there are a large number of British bank branches in

International Capital Markets Review

*

Every Monday the Financial Times publishes a review of the previous week's activity in the international bond markets.

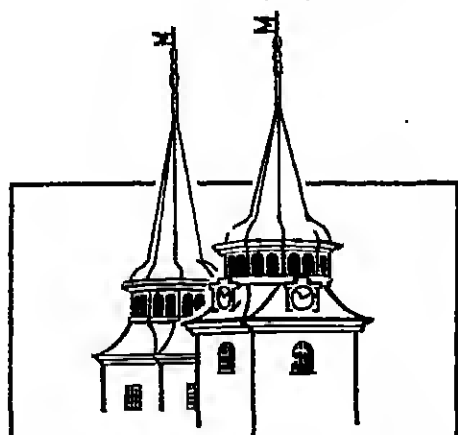
This synopsis of the Euromarkets together with a comprehensive tabular list of current international bond issues offers the reader a detailed and thorough weekly study of one of the most important financial mechanisms in the world today.

*

In addition the Financial Times publishes a monthly summary of Quotations and Yields from the Association of International Bond Dealers.

SPAREBANKEN OSLO AKERSHUS

The lead bank in domestic Norwegian bond issues.



SPAREBANKEN OSLO AKERSHUS

Forex and Treasury Section
Tel. Oslo 3185 28-30. Telex: 16463 spax.

Capital Market Section
Tel. Oslo 31 90 50. Telex: 19968 spax n.

Tordenskioldsgt. 8-10, Oslo 1, Norway. Tel: 472 31 90 50.

Stanley Electric Co., Ltd.

Tokyo

3 1/2% DM 40,000,000 Convertible Bearer Debentures 1978/1985

Adjustment of Conversion Price
By the resolution of the Board of Directors of August 30, 1983, Stanley Electric Co., Ltd., makes a free distribution of shares of Common Stock to its shareholders of record on September 30, 1983, in the ratio of one new share for each ten shares held. Therefore, the conversion

price of the 3 1/2% Convertible Bearer Debentures 1978/1985 will be adjusted pursuant to Section 4 of the Loan Terms effective October 1, 1983 from Yen 623.00 to Yen 644.40 for each share of Common Stock.

On behalf of Stanley Electric Co., Ltd.

Frankfurt am Main

In September 1983

Dresdner Bank

Aktiengesellschaft

F&I

Fuqua Overseas Finance N.V.

U.S. \$50,000,000

Guaranteed Floating Rate Notes due 1987
Unconditionally guaranteed as to payment of principal and interest by

Fuqua Industries, Inc.

In accordance with the provisions of the Notes, notice is hereby given that for the 48 months period 14th September 1983 to 14th March 1984 the Notes will carry a Rate of interest of 10 3/4% per annum with a coupon amount of U.S. \$271.74

Agent Bank

CHEMICAL BANK INTERNATIONAL LIMITED

INTERNATIONAL APPOINTMENTS

Prudential banking post

and development at BMW. Mr Max Mugler has taken over overall first-half losses were lower.

UEL said that full provision was made to its 1982 full-year accounts against its equity to United Engineers (Malaysia). Thus, it said, it had not considered it appropriate to account for the results of the Malaysian unit in the group accounts for the first half of 1983.

Also excluded from the first-half results was an extraordinary profit of S\$731,000 APDJ.

● PRUDENTIAL INSURANCE CO. OF AMERICA, which is pushing beyond its banking and investment activities into banking, has hired Mr Charles E. Lord, vice chairman of the Export-Import Bank of the U.S., to co-ordinate the expansion. He will become chairman of the recently-created Prudential Bank & Trust Co. The bank is the successor of the tiny Capital City Bank, Hapeville, Georgia, which Prudential bought last April.

● ARTHUR GUINNESS AND SONS has appointed Mr Robert F. Kinsey as president of the Guinness-Harp Corp, New York. He was previously vice president of McKesson, U.S. wine and spirits group.

● Mr Eric D. Saunders has been elected executive vice president—Midwest—for the SEARS ROEBUCK GROUP, one of five business units of Sears, Roebuck and Co. Mr Saunders succeeds Mr M. E. Burkholder, who has retired. Mr Everett L. Buckner has become vice president—specialty stores and catalogue-store operations. In his new post, he is responsible for Sears Business Systems Centers and the newest specialty stores now being tested—Sears Paint and Hardware Stores. He previously was general manager of Sears Chicago group of retail stores. Mr Matthew A. Howard was elected vice president—home appliances and home entertainment—succeeding Mr Robert R. Thompson, who is retiring.

● Mr Henry W. Donaldson has been named as senior vice president and business planning for the GTE TELEPHONE OPERATING GROUP. Mr Donaldson will be responsible for the strategic direction and marketing of local network services and residential telephone equipment for GTE. Since 1981, he has served as senior vice president of USTs, an ITT Corp. operating subsidiary providing interstate telephone services throughout the U.S.

● SOURCE: TELECOMPUTING CORP. has appointed Mr Benson I. Helfinstein its president and chief executive officer. Mr Helfinstein is a former president of the Computer Systems Group at Planning Research Corp., computer services company also known as a subsidiary of The McGraw-Hill Co.

● Mr David A. Sizer has been elected chairman and chief executive officer of RICHARD ELLIS INC., international real estate consultants. Mr Sizer, who joined Richard Ellis in 1984 and became a partner in 1986, was one of the three partners of Richard Ellis responsible for establishing the firm's U.S. offices in 1978. He was chairman of Richard Ellis' international committee.

● Mr Ralph Steedman, vice president-finance, has been appointed director of LAWSON & JONES LTD-CANADA. Lawson & Jones is a constituent company of the overseas division of the Marston Packaging Group.

● Mr Eugene F. Flinn has been appointed executive vice president—operations—of DANLY MACHINE CORP., a subsidiary of Ogden Corp. Mr Flinn will be responsible for Danly's manufacturing, engineering, purchasing and employee relations. He has been with Westinghouse Electric Corporation, where he served for two years.

● Mr Dennis J. Ziengs, vice president, has been named general manager of the Seoul branch of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. of Chicago. Mr Ziengs, who joined Continental in 1973, has held positions in the bank's international banking services department in Rotterdam and London. He was most recently assigned to Tokyo as area manager of Continental's multinational banking services.

● EG&I, INC. has elected Mr George H. Gage a senior vice president. He was a vice president

at BMW. Mr Max Mugler has taken over overall first-half losses were lower.

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● Mr Eric D. Saunders has been elected executive vice president—Midwest—for the SEARS ROEBUCK GROUP, one of five business units of Sears, Roebuck and Co.

● SOURCE: TELECOMPUTING CORP. has appointed Mr Benson I. Helfinstein its president and chief executive officer.

● Mr David A. Sizer has been elected chairman and chief executive officer of RICHARD ELLIS INC., international real estate consultants.

● Mr Ralph Steedman, vice president-finance, has been appointed director of LAWSON & JONES LTD-CANADA.

● Mr Eugene F. Flinn has been appointed executive vice president—operations—of DANLY MACHINE CORP., a subsidiary of Ogden Corp.

● Mr Dennis J. Ziengs, vice president, has been named general manager of the Seoul branch of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. of Chicago.

● Mr Ralph Steedman, vice president-finance, has been appointed director of LAWSON & JONES LTD-CANADA.

● Mr Eugene F. Flinn has been appointed executive vice president—operations—of DANLY MACHINE CORP., a subsidiary of Ogden Corp.

FLEET HOLDINGS P.L.C.

Preliminary Announcement of results for the year ended 30 June 1983

The Directors of Fleet Holdings P.L.C. announce the results, subject to audit, for the year ended 30 June 1983 based on historical costs.

FLEET

	Year ended 30 June 1983 (Subject to audit)	Year ended 30 June 1982	Nine months ended 30 June 1982
	£000	£000	£000
Turnover			
National newspapers	229,352	171,717	
Regional newspapers	5,469	2,757	
Magazine publishing	62,194	43,313	
Other activities	3,369	—	
		300,384	217,787
Operating profit (loss) before interest and taxation			
National newspapers	2,884	(2,209)	
Regional newspapers	406	307	
Magazine publishing	5,763	4,511	
Other activities	1,070	(192)	
		10,123	2,417
Income from related companies	29	21	
Income from other fixed asset investments	1,129	312	
Other interest receivable and similar income	98	2,436	
Interest payable on Convertible Unsecured Loan Stock 1997	(1,200)	—	
Other interest payable and similar charges	(651)	(2,254)	
Profit from ordinary activities before taxation and extraordinary items	9,528	2,932	
Taxation	(709)	(182)	
Profit from ordinary activities after taxation before extraordinary items	8,819	2,750	
Extraordinary items	2,438	(306)	
Profit for the year attributable to shareholders	11,257	2,444	
Dividends—paid	452	—	
—proposed	903	602	
	1,355		
Profit retained for the year	9,902	1,842	
Earnings per ordinary share			
Before extraordinary items	14.64p	4.57p	
After extraordinary items	18.69p	4.06p	
Total dividends per share, including proposed final for 1982/83	2.25p	1.00p	

Notes to the Preliminary Announcement

- The first full year of trading of the Fleet group, which ended on 30 June, 1983, was a period of considerable activity within its mainstream activities of newspaper and magazine publishing but it was also marked by the beginning of the development of other interests, such as films. Additionally, the implications for the group of a possible public flotation of Reuters Limited became clearer. Overall the financial results were encouraging when viewed against those of the previous nine month period and the last full year before the merger from Trafalgar House, but it must be recognised that although the results achieved from the national newspaper interests are improving they are still inadequate for the investment and effort.
- In achieving a profit on ordinary activities before taxation of £9.53 million for the year ended 30 June, 1983, the group performed significantly better than in the previous nine months when profit at the comparable level was £2.93 million. After taking into account extraordinary items of £2.44 million, which included a profit of £2.64 million arising from the sale of certain of Morgan-Grampian's titles in the U.S.A. and taxation of £0.7 million the group's profit for the year was £11.26 million. This result is marginally better than the estimated profit figures contained in the circular letter to shareholders dated 1 July, 1983. The improvement was due in the main to better than expected circulation and advertising revenues in the final two weeks of the year.
- The Directors propose a final dividend on the ordinary shares of Fleet Holdings P.L.C. payable to shareholders on the register at the close of business on 15 September, 1983, of 1.5 pence per share. Subject to approval by shareholders at the Annual General Meeting it will be paid on 3 November, 1983. The 24,088,324 ordinary shares issued by way of rights in July 1983 do not rank for this dividend.
- The figures for the nine months ended 30 June, 1983 are an abridged statement from the Group accounts as at that date. Those accounts have been delivered to the Registrar of Companies and contain an unqualified auditors' report.

The Annual General Meeting will be held on Thursday 20 October, 1983, in The Pepys Suite, The London International Press Centre, New Street Square, London EC4A 3JB at 12.00 noon.

The Annual Report will be posted to shareholders on 26 September, 1983.

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UK COMPANY NEWS

BAe slips to £36.5m at midterm

DESPITE A 10 per cent rise in trading profits by British Aerospace in the first half of 1983, from £53.1m to £58.5m, the taxable surplus slipped by £800,000 to £35.5m — following a halving of net interest receivable to £6m.

Earnings per 50p share of this aircraft, guided weapons and space systems manufacturer are given higher at 18.3p (18.3p) on a nil distribution basis and the interim dividend is being lifted by 0.25p to 3.5p net. For 1983 a total of 8.45p was paid.

Sir Austin Pearce, chairman, points out that the company continues to grow. Sales advanced by 12 per cent from £830.9m to £1,040m and the order book at the end of June of £4.5m was 7 per cent higher than at the beginning of the year.

He says strenuous efforts have been made to improve sales volume and realisations, to improve efficiency and to reduce costs. Personnel reductions and reorganisation expenditures have been necessary but, despite

making provisions for the costs involved, the trading profits increased to £58.5m.

Further investments have been made in the development of military aircraft, such as the Agile Combat Aircraft (ACA), civil aircraft such as the Airbus 300-600 and the 310-300, missiles such as the Air Launched Anti-Radar Missile (ALARM), and also satellites for direct broadcasting.

This, together with lower interest rates, means that net interest receivable was reduced but with no charge for tax attributable profits rose to £35.5m compared with £33.5m.

Throughout the period the company maintained a healthy positive liquidity position and the cash flow was also positive, Sir Austin says.

Major sales efforts continued during the period, some results of which have already come to fruition, such as winning the contract to develop and build the ALARM defence suppression missile for the RAF, further home and overseas orders for

the supply of Rapier and additional sales of the Jetstream 31, for example, in Australia.

During the period the UK Government announced the award of a contract to build a demonstrator experimental aircraft based upon the ACA.

Three new aircraft, the Jetstream 31, the Bae 146 and the A310, entered service with the airlines and, in the case of the Bae 146, also with the RAF.

"Performance exceeds our expectations, and our confidence in these products is being demonstrated and shared by our customers," Sir Austin reports.

The latest version of the Bae 125 business jet, the 125-600, flew in June and the group already has orders to add to the six 125-700 orders received during the period. The space and communications division continued to expand and the first of five European communications satellites, ECSS-1, was launched.

As part of the rationalisation programme, the group has closed its factory at Burn, where the major work load was on the

BAC 1-11. The workforce is being reduced at other sites mainly involved in the production of civil aircraft. To meet these costs a provision of £19m has been charged against trading profits.

Looking ahead Sir Austin says competition in all sections of the aerospace industry continues to be severe but with the group's product range and its competitive drive the directors believe it will succeed in the market. Approximately two-thirds of all the products are exported which reduces the impact of UK Government expenditure on its performance.

"The future is challenging but one that we view with confidence," he concludes.

A divisional breakdown of sales shows: civil aircraft £194m (£190.6m); military aircraft £432.8m (£423.2m); guided weapons systems £261.4m (£258.8m); support services £60.9m (£57.5m); space £62.5m (£59.1m) and miscellaneous £28.6m (£21.7m).

See Lex

Home Charm advances and sees record year

A RECORD year is foreseen by Mr H. E. Fogel, chairman of Home Charm following a rise in interim pre-tax profits from £1.22m to £2.92m.

The 1982 rationalisation and expansion programme, including the £14m Sankey Homecentre acquisition, has enabled the company to remain competitive, and at the same time produce net margins at the trading level — after depreciation and interest — up from 2.6 per cent to 4.1 per cent, he says.

Sales for the 24 weeks to June 15, 1983 were higher at £60.97m against £53.5m, and the chairman says that since the end of the period sales have continued at a satisfactory level.

An increase in the interim dividend from an adjusted 0.25p to 0.75p is partly to reduce disparity. Last year's total was an equivalent 1.50p.

The taxable surplus was arrived at after deduction of depreciation £1.35m (£1.03m), interest £0.62m (£0.51m), but included asset disposal profits of £0.12m (£0.1m).

So far this year the company, a supplier of wallpaper, paint, kitchen and bathroom units, has opened three new stores and closed four smaller ones.

Three more supermarkets will be opened before the year end, and in addition another 12, totalling 350,000 sq ft, are due to be opened during 1984. The first new supermarket catering for the heavier end of the DIY market has been opened in Plymouth, with a second due to open in March 1984, both will trade under the new name of Bulk DIY.

Midyear earnings per 10p share emerged at 3.9p (adjusted 3.8p) after tax of £1.25m (£1.02m).

Fleet Holdings better than expected at £9.5m

FOR THE year ended June 30 1983 Fleet Holdings newspaper and magazine group has turned in a marginally better result than that forecast with the July rights issue. Better-than-expected circulation and advertising revenues in the final two weeks have helped produce a group pre-tax profit of £9.5m.

This goes against not less than £9.1m forecast and £2.93m achieved in the previous nine months. The final dividend is the promised 1.5p on the old capital for a total of 2.25p, compared with 1p for the previous period. Earnings were £4.64p (4.57p) before extraordinary credits and £5.69p (4.06p) after.

The year was one of considerable activity within newspaper and magazine publishing, but it also marked the beginning of the development of other interests, such as films.

At the operating level, before interest, national newspapers (Daily Express, Daily Star, Sunday Express) turned round from a loss of £2.21m to a profit of £2.88m but this result is "still inadequate for the investment and effort". Regional newspapers contributed £408,000 (£307,000), magazine publishing £5.76m (£4.51m) and other activities £1.07m (loss £192,000).

There is an extraordinary credit of £2.44m, which takes into account a £2.64m profit arising from the sale of certain of Morgan-Grampian's titles in the U.S.

DIVIDENDS ANNOUNCED			
Assted Leisure	.....Int	1.65	Dec 16 1.35
Gannar Booth	.....Int	2.65	Oct 28 2.4
Bowater	.....Int	3.5	Nov 7 4.25
British Aerospace	.....Int	3.5	Nov 4 3.25
British Vita	.....Int	2.9	Nov 11 2.7
British Estate	.....Int	1.9	Nov 5 1.7
BTR	.....Int	6	Nov 25 4.75
Ceide Haven	.....Int	0.5	Nov 3 0.5
Richard Clay	.....Int	1.3	Oct 26 1
Cash Gold Fields	.....Int	16	Nov 14 16
Costain Group	.....Int	5.5	Oct 24 5
S. W. Farmer	.....Int	3.1	Dec 2 3.1
Fashions and Goods	.....Int	7	Oct 25 7.9
Fleet Holdings	.....Int	1.5	Nov 3 1
Harious Group	.....Int	0.28	Oct 21 Nil
Hestair	.....Int	1.5	Jan 3 1.25
Home Charm	.....Int	0.75p	Oct 28 0.25p
I & J Myman	.....Int	Nil	Nil
Imry Property	.....Int	2.9	Nov 5 2.4
Lon Merchant Secs	.....Int	1.06	Nov 5 0.87
Marchwell	.....Int	3	Oct 28 2.7
Bernard Matthews	.....Int	2.5	Oct 28 2.2
Thomas Tilling	.....Int	Nil	Nov 7 3.5
Trade Indemnity	.....Int	2.37	Nov 7 2.37
Willis Faber	.....Int	5	Nov 4 5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increase by rights and/or acquisition issues. ‡US\$ stock. §Increase is partly to reduce disparity. ¶For nine months.

rights issue it is perhaps too easy to underestimate what Fleet Holdings has achieved since it was cast adrift from Trafalgar. The directors still bemoan the thin margins on national newspapers but in Fleet Street terms the group is not doing badly. Of course the real quality part of Fleet's published earnings is its magazine interests, Morgan-Grampian. The capital profit on the sale of some less-making U.S. titles gives some idea of the

intrinsic worth of that business. And then there is Reuters. Fleet has a holding of over a tenth and the decision of that highly profitable operation could be worth 120p a share to Fleet alone against a current market price of 125p. These sort of numbers are not lost on Mr Holmes a Court who has built up a stake of over 4 per cent. As ever his intentions can only be guessed at, though as far as Fleet is concerned its attractions as a bid target are plain for all to see.

Marchwell makes £6.2m halfway

INCLUDING a first time contribution from Finlas first half taxable profits of Marchwell improved from £4.32m to £5.2m, and the interim dividend is lifted 0.3p to 3p.

During the period to April 30, 1983 the gradual decline in turnover was reversed with an increase of just over £20m to £120.48m. However, trading conditions in the UK are still depressed and expansion is being concentrated in areas where there are some signs of real growth.

Overseas trading, of this builder, civil engineer and parent company of Sir Alfred McAuliffe, recorded overall profitability though the results were somewhat mixed.

After tax of £2.48m (£1.73m)

net profits emerged at £3.73m (£2.59m) for earnings of 10.2p (7.2p) per 25p share. For the year to October 31, 1982 the company achieved taxable profits of £13.75m from turnover of £243.24m, and paid dividends totalling 7.5p with a final of 4.5p.

comment

The wet spring has not hindered sales of Marchwell houses in the UK. The £11m acquisition of the Finlas house building group proved to be excellent timing and combined with existing house building operations has enabled the group to grab its share of the modest house building boom this year. Marchwell sees this sector as its most promising area for expansion. The UK construction, though patchy,

is unlikely to get worse and the company is heartened by recent contracts including the Manchester Exhibition Centre, recently awarded. South African profits were down by 20 per cent with little sign of recovery yet. But elsewhere prospects are more cheerful and according to the chairman "there are a number of useful pokers in the fire". That adds up to a reasonably order book and strong cash reserves of around £30m, similar to the year end, despite the £11m pay out for Finlas. It compares with a market capitalisation of £86m. Marchwell should make £16m for the full year which puts the shares down 10p at 200p on a prospective actual tax P/E of 7.5 and yielding just under 6 per cent.

A & M Hire placing to raise £0.5m

A & M Hire, formerly Data Securities, is raising £500,000 through the placing of 11.37 per cent of its capital on the Unlisted Securities Market.

The company supplies a wide range of antique furniture and other equipment to theatres and TV and film companies.

Brokers Le Mar Martin have placed 5m new 10p shares at par and dealings will commence on September 19. The balance of the company is owned by Mr Christopher Maclean, chairman and finance director, Mr David Rosenberg.

The directors forecast a profit for the year to January 1984 of £700,000 before tax, compared with £410,000 last year. They also forecast a dividend of 0.1p net per share and estimate on a nil tax charge a p/e of 6.29 at the placing price of 10p and a yield of 1.43 per cent. If they company had been listed for a full year the dividend would have been 0.2p.

The money is being raised to meet the costs of expansion. A new warehouse was purchased in January which increased space by over 50 per cent and allows for further investment in furniture and equipment to meet increased demand.

Items for hire include the full contents of a pub with 80 ft bar and a gothic church. It also has lighting, vases and other equipment to complement the furniture featured in films such as *Chariots of Fire* and TV programmes including *Barchester Chronicles* and *Reilly Ace of Spies*.

In concentrating on antiques, the company has been able to increase the value of its assets considerably. It does not hire costumes nor has it moved into modern furniture.

Pause in LMS growth—pays more

THE PREDICTED downturn in profits at London Merchant Securities turns out to be from a restated £9.97m to £7.86m for the year ended March 31 1983. The dividend, however, is lifted from 1.5p to 1.55p net, with a final of 1.05p.

Lord Rayne, the chairman, explains the profit reduction as a product of peak expenditure on property and energy development, the initial absence of income from important new acquisitions, and associated companies' contribution cut from £2.31m to £557,000. Investment income fell from £6.44m to £4.99m.

However, the upward trend will be resumed in the current year, says the chairman, with substantial increases from 1986 onwards as the revenues from all these sources come into full flow.

Net asset value attributable to shareholders rose by £51m to £155m. The figures incorporate an increase of £48.5m in the value of the LMS interest in investment property resulting from a revaluation of the portfolio.

Net property rental income after all outgoings rose by 22 per cent, from £8.32m to £10.16m, and will advance further this year.

After tax £2.16m (£3.06m) and minorities £783,000 (£486,000) the year's attributable surplus came to £4.91m (£6.43m). Earnings are shown at 3.08p (4.03p) basic and 2.25p (2.55p) fully diluted.

comment

Over the years London Merchant Securities has switched its emphasis away from industrial interests towards property and

energy. The property revaluation gives some hint at the company's real worth but then the steady improvement of rental income had already given the market a feel for this end of the business. However the energy division is only just emerging as far as profits are concerned. The message from the chairman's statement is clear enough in that a full recovery to over £10m can be anticipated in the current 12 months helped by over £1m from its First Leisure interest. Next year the profits line should really start to motor, its stake in the Maureen field alone could be worth £1m that year, while the recent tax changes should enable it to shelter the income stream fairly effectively. At 71p a 3 per cent yield and p/e of over 30 on fully diluted earnings hardly makes the shares look cheap. Still long term, they should not let investors down.

Willis Faber advances £6m and lifts interim 1p

FOR THE opening half of 1983 Willis Faber, insurance broker, returned profits of £23.17m at the pre-tax level, an improvement of £1.6m over the results for the same period last year, and the interim dividend is being stepped up by 1p to 6p net.

The directors say the results followed a similar pattern to last year with a substantial increase in profits coming from the group's international broking income for the half year totalled £49.53m (£35.15m) before expenses of £30.91m (£25.89m).

Taxable profits included a £4.56m (£4.22m) share of associates' results—the comparable figure last year in a £538,000 profit of insurance companies.

Tax charged rose from £5.24m to £11.9m to leave net profits well ahead at £11.26m, compared with £7.77m.

Earnings emerged at 26.98p (21.22p) per 25p share.

comment

Revenues growth continues to be extremely strong at Willis Faber, at around 30 per cent in the first half, and profits gains have more than matched this by climbing some 36 per cent. Even allowing for the seasonal weakness which is normal in the second half, the full year's profits should move above £40m. Much depends, however, on whether the dollar can maintain its strength on an underlying basis. Brokerage growth was more like 15 per cent, adjusting for currency gains and acquisitions. Even on a volume basis, however, the strength of the insurance business is encouraging, and this trend should be helped by the recovery in the U.S. economy. At 54p the shares are valued at a move slightly against the "London market trend yesterday, and are solidly placed with a prospective p/e of probably around 11.

comment

The report shows that premiums written on the three open underwriting accounts for the period totalled £20.87m, an increase of 20.3 per cent on the comparable figure for the first half of 1982.

The 1981 underwriting account at end-June 1983, after making provision for all known claims, showed a debit balance of £8.455. This compares with a credit balance of £799.048 on the 1980 underwriting account at the same stage a year earlier.

The 1982 underwriting account at June 30 1983 showed a credit balance of £15.15m after making provision for all known claims. The credit balance on the 1981 underwriting account at the same stage a year earlier was £304.118. Both balances exclude the underwriting contingency reserve, which stood at £2m at the end of last year.

Trade Indemnity

Trade Indemnity, which writes credit insurance business both in the UK and overseas, is holding its interim dividend at 2.35p net for the six months to end-June 1983.

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Costain Group INTERIM REPORT 1983

Group Results	Six months to 30 June 1983	Six months to 30 June 1982	Year 1982
	£'000	£'000	£'000
Turnover	314,000	313,000	709,000
Trading profit			
General trading	18,188	16,896	42,715
Net income from rents of land and buildings	2,602	2,306	5,461
	20,790	19,202	48,166
Interest payable	4,540	5,052	10,565
Profit before exceptional items	16,250	14,150	37,601
Exceptional items—Costain Australia Ltd.	—	8,211	2,819
Profit before taxation	16,250	22,361	40,420
Taxation at estimated 25% (1982—25%, year 16%)	4,063	3,538	6,436
Profit after taxation	12,187	18,823	33,984
Profit attributable to minority interests	1,607	4,436	7,174
Profit before extraordinary items	10,580	14,387	26,810
Extraordinary items	1,144	—	1,900
Profit attributable to Costain Group PLC	11,724	14,387	28,710
Interim dividend of 5.5p on the ordinary shares (1982—5.0p)	3,822	2,780	—
Total dividends on the ordinary shares (1982—12.0p)	—	—	7,645
Amount retained	7,902	11,607	21,065

Overseas currencies have been expressed in sterling in the half year figures at the rates of exchange ruling at the previous year end.

The results for the six months to 30 June 1982 have been restated to show exceptional items on a basis consistent with that in the audited accounts for 1982. Exceptional losses in the second half accounted for the reduction in the figure for the year.

Mr C. T. Wyatt, Chairman, reports:

For the six months ended 30 June 1983, unaudited pre-tax profits of the Group are £16.25 million compared with £14.15 million profit before exceptional items for the six months ended 30 June 1982. There were no exceptional items in the first half of 1983.

There have been improved results from housing in the United Kingdom, where we expect approximately to double last year's sales of 404 units, from our quoted associate Canadian company, which returned to profit in the first half of the year, and from our quoted subsidiary in Australia. There was a good performance in mining and contracting.

The Directors have declared an increased interim dividend of 5.5p (1982—5.0p) per ordinary share of 25p payable on 24 October 1983 to shareholders registered on 30 September 1983. With the tax credit of 2.3571p per share,

this makes a gross equivalent of 7.8571p per share. They would expect, in the absence of unforeseen circumstances, to recommend a final dividend for the year of not less than the 7.0p paid in respect of 1982. Total dividends paid in respect of 1982 amounted to 12.0p per share.

On the basis of what has been achieved so far this year and current information, I anticipate that the profit for 1983 will be not less than the £40.42 million reported for 1982, which included exceptional items.

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UK COMPANY NEWS

Hestair's profit up to £1.3m halftime

ENCOURAGING progress within the consumer products and office service divisions has been the main reason for an increase from £910,000 to £1.3m in the half year profit of Hestair. Although there are some signs that economic confidence is not continuing to build, the directors are optimistic that progress can be maintained in the second half.

Results of Duple International, the coach and bus body maker, are not included in the figures. The company is in the throes of an extensive reorganisation, and once this is completed the directors are confident Duple will be profitable again. Savings in excess of £1m have been identified and action taken.

In the half year, to July 31 1983, turnover rose from £32.7m to £38.9m. Consumer products produced record profits, while SOS Bureau has quadrupled its profit before interest. Within the vehicle sector Hestair Eagle has continued to show a spectacular advance, but Dennis has again had considerable difficulty in increasing its output despite healthy order books. Farm equipment is still a difficult market.

After tax £155,000 (£98,000) the net profit came to £1.3m (£818,000), and earnings were 6.1p (4.5p) per share. A "substantial provision" has been created to cover the anticipated costs of the Duple reorganisation.

The interim dividend is lifted from 1.25p to 1.5p and the final was 2p when profit before tax reached £2.16m.

comment
Hestair seems to have specialised in making a go of business sectors where numerous competitors have sunk without trace, from toys to commercial vehicles. Management appears to be proving its worth in most cases, with Kiddicraft toys still on track for £4m or more this year and the employment bureau profits up four times on last year.

The problem is that even Hestair's management can do very little about the effect of government regulations which have required hundreds of design changes in Hestair's Dennis's product range, or indeed the shrunken capacity of the UK engineering industry which is "presently" causing serious difficulties for this subsidiary on its subcontracted work.

Hestair Dennis is running only just ahead of its 1982 trading level and could finish the year marginally lower. The reorganisation of the newly acquired Duple business is already under way, with costs of up to £3m to be written off against a special dividend of 2.5p.

But other non-engineering acquisitions might yet do more for the shares, which last night closed down 3p at 66p where they carry a prospective yield of around 8.5 per cent after yesterday's 20 per cent increase in the interim dividend.

BTR makes progress but Tilling hit by U.S. losses

A NEAR £10m increase has been shown by BTR in interim pre-tax profits which rose from £45.7m to £58.3m for the first half of 1983. However, results announced for Thomas Tilling— which became a subsidiary on June 8— show a dive into pre-tax losses of £1.2m for the six months to the end of June following a £30m inventory write-down in the U.S.

The net interim dividend at BTR has been lifted from 4.75p to 6p, and a one-for-two scrip issue is proposed.

Through the effect of falls in prices for pipe and group operating profits of £14.6m against £43.4m were arrived at after writing down inventories by £30m.

The write-down arose from a review by the new management of a deterioration in market prices for pipe.

The directors of BTR say that a cost containment programme is being vigorously pursued while a "best strategy" is determined. Companies in other sectors continue to progress

well.

At BTR, which is engaged in energy, engineering, plastics and materials handling, sales slipped from £379.7m to £348.2m.

The directors say that the growth which sustained the 1982 performance continued into 1983. An earnings gain of 20 per cent is attributable in part to financing and exchange benefits, and is also due to cost reduction, product innovation and realistic marketing while demand remained "unexciting".

If the consumer boom of the past year were to lead into a revival of broader based dimension, then current anticipations should be "encouraged".

For the half year under re-

view at Thomas Tilling, sales expanded from £109m to £114m. Pre-tax results were struck after other income ahead from £1.2m to £9.4m, and higher finance costs of £25.4m (£23.8m).

After tax of £3.1m (£3.8m) and minorities, the attributable level saw a deficit of £14.8m compared with a surplus last time of £14m.

Substantial increases in trade sectors apart from energy equipment in the U.S. were extinguished by losses incurred after the write-down, say the directors. However, they say the weakness in that market may be abating and action has been taken to rebalance resources to present levels of demand.

comment
See Lex

Costain lifts interim payout

HALF YEAR pre-tax profits of the Costain Group, engaged in construction and development activities, are given as £18.2m, against a restated £22.3m adjusted to the tune of £3.2m relating to an exceptional credit in Costain Australia.

Results for the comparable period have been restated on a basis consistent with that in the audited accounts for 1982.

Turnover for the six months to June 30 1983 is higher at £314m and trading profits rose from £19.2m to £20.7m. Interest took £4.5m against £3.5m leaving profits up at £16.2m compared with £14.5m before the exceptional credit.

The interim dividend has been increased 10 per cent to 5.5p and the directors expect to recommend a final not less than last year's 7p. Profits last year totalled £49.2m, including exceptional credits of £2.2m and at least maintenance of this is forecast for the current year.

Improved results from housing in the UK were achieved, and the directors expect approximate doubling of last year's sales of 404 units. A return to profits was experienced by the Canadian associate company, and the Australian subsidiary also

improved. There was a good performance in mining and contracting.

After tax of £4.06m (£3.54m), minorities £1.61m (£1.4m), and extraordinary items £1.1m (£1.1m) the attributable surplus was £11.72m (£14.30m).

comment
Costain is forging ahead with housing sales in the UK. The target of a 50 per cent increase on last year suggested at the AGM has now been increased to nearer double last year's 440 sales. The company says it has the demand and capacity to increase market share, a strategy it needs to fulfil to make up for full trading elsewhere in the business. U.S. finishing has been the bright spot in Costain's non-construction activities overseas with Pyno more than compensating for lower coal prices with

higher productivity. Australia Mining has been a disappointment and Costain plans to persevere but with lower expectations. It is just back into profit but no interim dividend has been paid to the UK parent. Canada has been turned round helped by lower interest rates and considerable land and asset sales. Process engineering is dull as is Costain's dredging operations with only five out of nine working. The slowdown in Middle East business will contribute to a higher tax charge of around 25 per cent up from 16 per cent. The share price reduced 2p yesterday to 226p for a prospective yield of 8 per cent which may seem generous for the sector. But with pre-tax profits of around £20m for the full year the price reflects the profits plateau on which Costain appears to be stuck.

comment
Richard Clay has come in with some good results thanks to an increased throughput on the slimmed down overhead base in the second quarter of the year. If the present buoyant level of demand in the paperback printing industry continues into the second-half profit margins might be widened as publishers fight for the limited spare capacity in the run up to Christmas. Interest charges are up, reflecting the cost of the Fakenham closure, but these should be reduced in the near future. Both indirect and direct exports have increased by the current exchange rate level and this should continue. Though Robert Maxwell's BPCC no longer holds a 5.8 per cent stake, the company remains slightly nervous and is fairly cautious in its predictions for the future. Still for the year pre-tax profits could be around the £15m mark. The shares closed 6p up yesterday at 88p giving a prospective p/e ratio of 11 fully taxed.

Garnar Booth increase
WITH A sharp increase from £24,000 to £94,000 in pre-tax profits by Garnar Booth in the half year to the end of July 1983, the directors report that prospects for the group are "encouraging". They say that satisfactory trading conditions continue into the second half.

The net interim dividend has been lifted from 2.4p to 2.65p. Basic earnings per 25p share are

shown as rising sharply from 0.3p to 0.9p—fully diluted they are given as ahead from 0.5p to 0.9p.

Sales of this tanner and leather manufacturer increased from £29.6m to £32.1m. In the last full year a final dividend of 4.25p was paid from pre-tax profits of £11.2m on sales of £59.8m.

The good progress shown in the first half under review is due not only to an improvement in world trading conditions, say the directors, but also to the benefits from the group's strategy of selective acquisitions and rationalisation in the UK tanning industry.

During the period there was a steady increase in demand for shoes, leatherware, upholstery, leather goods, bookbinding, and also chemicals for cleaning purposes.

At the trading level profits increased from £1.2m to £2.1m. Tax this time took £277,000, and extraordinary debits absorbed less at £33,000 compared with £93,000. At the attributable level a surplus of £824,000 was returned this time against a previous deficit of £87,000.

Yearlings
The interest rate for this week's issue of local authority bonds is 10 1/2 per cent, down 1/2 of a percentage point from last week. It is down 1 1/2 compared with a year ago. The bonds are issued at par and are redeemable on September 19 1984. A full list of issues will be published in tomorrow's edition.

LADBROKE INDEX
696-703 (-12)
based on FT Index
Tel: 01-493 5261

Copies of the Interim Report can be obtained from the Company Secretary:
BRITISH VITA PLC, MIDDLETON, MANCHESTER M24 2DB

INTERNATIONAL LEADERS IN FOAM, FIBRE, FABRIC AND RUBBER PRODUCTS

Year 1982 1983 1982 1983

97,799 Turnover 54,526 49,375

5,063 Trading profit 3,973 2,600

3,447 Associated companies 1,569 1,407

(1,126) Interest (508) (632)

7,384 Profit before tax 5,034 3,375

1,562 UK and Europe 2,391 268

5,822 International 2,643 3,107

14.0p Earnings per share 11.0p 5.4p

5.4p Dividend per share 2.9p 2.7p

INTERIM RESULTS 1983

BOWATER

Substantial profit growth in UK/Europe: North American operations now firmly on the recovery curve.

Improving trends expected to continue in the second half-year.

The benefits from the reorganisations in recent years have produced a substantial improvement in UK operating results. Trading profits in total from activities in UK/Europe and Australia/Far East were nearly doubled over the first half of 1982 at £21.4m (£11.7m) and the improvement has continued into the second six months.

North American operations were again affected by weak markets for newsprint and pulp, which touched bottom in the first quarter. Since then a steady improvement has been evident. Trading profits fell by 54% to £23.3m (£50.3m).

Profit before tax for the whole Organisation was £24.6m (£42.3m). The much better performance in United Kingdom activities has limited the effect of the lower contribution from North America, despite a slightly higher net charge for interest.

The recently improving profit trends in the whole Organisation are expected to continue through the second half-year. An exceptionally low overseas tax charge for the full year will additionally benefit profits at the attributable level.

Accordingly, the Directors expect to recommend total 1983 dividends of not less than the rate paid for 1982 as a whole (7.75p). An interim dividend has now been declared of 3.5p to be paid on 7th November 1983 to shareholders of record at 30th September 1983.

The North American operations are now firmly on the recovery curve of the pulp and paper cycle and the other parts of the Organisation continue to develop strength. It is expected that both these trends will contribute to better overall results for the second half of the year and will continue through 1984.

Salient Results

	Six months to 30th June 1983 (unaudited)	1982	Year to 31.12.82
	£m	£m	£m
Sales	780	775	1,566
Trading profit:			
North America	23.3	50.3	83.2
UK/Europe; Australia/Far East	21.4	11.7	26.8
Central costs	(2.3)	(2.4)	(5.0)
	42.4	59.6	105.0
Interest (net)	17.8	17.3	32.5
Profit before taxation	24.6	42.3	72.5
Taxation	7.3	17.2	27.5
Profit after taxation	17.3	25.1	45.0
Minority interests	7.9	6.5	14.8
Profit attributable to shareholders	9.4	18.6	30.2
Earnings per ordinary share	5.8p	11.5p	18.6p
Dividend per ordinary share	3.5p	4.25p	7.75p

If you would like a copy of the full Interim Report, please write to the Secretary at the address below.

BOWATER CORPORATION PLC
Bowater House
Knightsbridge
London SW1X 7LR

BRITISH AEROSPACE

Higher sales from hypertechnology

- Sales 12% higher
- Order Book 7% higher
- Trading Profit 10% higher
- Interim Dividend 3.5p per Ordinary Share (1982 3.25p)
- 1983 Queen's Award to Industry for Export
- A310 enters airline service
- Jetstream 31 enters service in Europe and USA
- BAe 146 enters airline service in UK, USA and RAF
- Experimental Aircraft Programme contract awarded
- First flight BAe 125-800 business jet
- Missile contracts grow
- Space & Communications Division continues to expand

Highlights of the Statement by the Chairman, Sir Austin Pearce:

"... the business of British Aerospace continues to grow. ... throughout the period the Company has maintained a healthy, positive liquidity position and the cash flow has also been positive. ... We continue to recruit highly qualified people for the development of new products in the fields of 'hypertechnology' in which we operate. ... Approximately two-thirds of all of our products are today exported. ... The future is challenging but one that we view with confidence."

Interim Results for 1983

	1983 First half £m.	1982 First half £m.	Full year £m.
Sales	1,040	931	2,053
Trading profit	59	53	113
Launching costs written off	(29)	(29)	(49)
Net interest receivable	6	12	19
Profit before taxation and exceptional item (£100m. in 1982)	37	37	85
Profit/(Loss) after taxation and exceptional item	37	34	(23)

Copies of the full statement will be sent to all shareholders. Further copies are available from the Secretary.



UK COMPANY NEWS

Brixton Estate

International investors in commercial property

Interim Report 1983

	Six months to 30th June 1983 £000's	1982 £000's	Year 1982 £000's
Net Rental Income	7,245	6,425	13,642
Gross Profit	3,728	3,320	7,061

Six months' figures unaudited

Interim Dividend 1.90p per share — an increase of 11.8% over 1982

Copies of the Interim Report may be obtained from The Secretary, 22-24 Ely Place, London EC1N 6TQ.

Brixton Estate

The Fleming Enterprise Investment Trust plc

A specialist investment trust investing in selected small U.K. companies and companies which have not yet achieved a stock exchange listing.

Year to 30th June	Net Assets £m	Dividend per share	Net Asset Value per share	Share Price
1979	12.8	4.17p	128p	86p
1980	13.8	6.00p	138p	100p
1981	15.9	6.50p	159p	120p
1982	15.4	6.50p	154p	118p
1983	21.8	7.20p	218p	154p

U.K. Listed 68%

Unlisted 32%

Copies of the Report and Accounts may be obtained from the Secretary, Robert Fleming Services Limited, P & O Building, 122 Leadenhall Street, London EC3V 4QR.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the issued Ordinary Shares of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for the Ordinary Shares of the Company to be admitted to Listing. A Placing of 5,000,000 New Ordinary Shares of 10p each in the Company has been arranged by Messrs. Le Mare, Martin & Co. contemporaneously with the Company's application. Shares have been offered to and are available through the Market.

A. & M. HIRE plc

(Registered in England—No. 120257)

SHARE CAPITAL

Authorised	Issued and fully paid
£4,500,000	£4,394,584

Particulars giving information with regard to A. & M. Hire plc are available in the Eitel Unlisted Securities Market Service and copies of such particulars may be obtained during usual business hours on any weekday (except Saturdays) up to and including 30th September, 1983, from:

LE MARE, MARTIN & CO.

City Gate House, 39-45 Finsbury Square, London EC2A 1LE

BIDS AND DEALS

N. Goldsmiths £2.2m expansion

BY CHARLES BATCHELOR

Northern Goldsmiths, the retail jeweller and bookmaking chain acquired earlier this year by Anthony Gover, the motor insurance broker, has agreed to buy the privately-owned Brighton Jewellers chain, William Wright, for about £2.2m in shares.

This represents the first important acquisition by Northern Goldsmiths since the Gover takeover although it agreed to acquire Sidney Nepper, a Slough-based bookmakers chain for £325,000 in July.

At the time of the £3.8m takeover of Northern Goldsmiths, Gover said it planned further acquisitions.

The Wright chain numbers 12 shops in Wales and Southern England stretching from Llandudno to Brighton and it takes the total Northern Goldsmiths jewellery chain to 36.

Wright made a pre-tax loss of £190,705 on turnover of £1.54m in the year ended January 1 1983 after charging head office expenses of £255,408.

Wright has net tangible assets including freehold and long leasehold properties with an estimated current market value of £2.5m.

The price to be paid will be based on the asset value of the business at September 9 1983 less any dilapidation due on the property and redundancy costs incurred as a result of the closure of Wright's head office.

About 20 of the 120 employees of Wright have been laid off and the head office is being sold. Mr Anthony Gover, Northern Goldsmiths chairman, said the purchase was essentially a prelude to the takeover of Landi Hartog in LPG, in European and world markets.

Wright has been profitable for 1.68m ordinary (93.57 per cent) shares.

An EGM of Hartley Cooper on September 12, 1983 passed resolutions to effect the proposed capital reorganisation of Hartley Cooper. Subsequently 1.8m new ordinary 50p shares, fully paid, were allotted and the capital reorganisation took effect.

The offer for Hartley Cooper has become fully unconditional and will remain open for acceptance until further notice. Gibbs Insurance Holdings intends to acquire compulsorily any shares for which acceptances are not received.

It was also announced that Mr Louis Vernon, the former chairman, and Mr P. H. Vernon, the former commercial director, of Bamber, have renegotiated their agreement with Mellins. Mellins will be repaid not less than £167,921, which is equivalent to 73p per share.

In August it was announced that Mellins had acquired 2.24m ordinary shares in Bamber at a price of 15p per share. For the year ended January Bamber made losses of £3.5m on turnover of £27m. The company's net worth was reduced from £20.5m to £15m.

At yesterday's close Mellins shares were 20p down at 110p.

ANTONY GIBBS
Antony Gibbs and Sons has, in recent weeks, its offer on behalf of Gibbs Insurance Holdings to acquire Hartley Cooper Holdings, received acceptances

until the past year or so but the younger members of the owning family had no wish to maintain the business which had moved into a loss-making area.

Northern Goldsmiths plans to upgrade a number of the jewellers shops though it may not be able to take full advantage of the pre-Christmas season.

Its shares rose 3p yesterday to a new 1983 high of 205p.

BREETS STAMPING

The offer by J. and H. B. Jackson for all the issued preference shares of Breets Stamping has been accepted in respect of 16,936 shares (84.7 per cent).

The acceptance date has been extended to 3 pm on September 30.

HELENE OF LONDON

An EGM of Helene of London was held yesterday to pass resolutions to acquire J.D.K. and to empower the directors to allot new shares in accordance with terms of a recently announced rights issue.

Accordingly, Helene has now completed the purchase of J.D.K. Dealings in the new ordinary shares, nil paid, will start today.

SOLEX (UK)

Solex (UK), the British operation of the Solex group, which manufactures carburettors, has acquired a controlling interest in the Landi Hartog group, a Dutch-based market leader in liquid petroleum gas systems.

The technical knowledge of Solex in fuel engineering will be allied to the experience of Landi Hartog in LPG, in European and world markets.

Bambers share dealings halted as losses mount

THE SHARES in Bambers Stores, the clothing retailers, were suspended yesterday after the company revealed that losses for the first half of the current year would be greater than anticipated.

Bambers also informed Mellins, the textile company, which holds a 6.3 per cent stake in Bambers, that there will also have to be an unspecified provision for stock write-downs.

The suspension came after Bambers shares had fallen 9p to 12p, leaving the company capitalised at £4,312,900.

It was also announced that Mr Louis Vernon, the former chairman, and Mr P. H. Vernon, the former commercial director, of Bamber, have renegotiated their agreement with Mellins. Mellins will be repaid not less than £167,921, which is equivalent to 73p per share.

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ANTONY GIBBS
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WATER MANAGEMENT

Water Management of Telford, formerly a member of the W. Caning Environmental Services group, has been acquired by Purac AB, of Sweden.

A new and wholly-owned UK registered subsidiary has been formed under the name of Water Management Purac. The new company will operate in the same fields of water treatment, although its activities will be extending.

Purac AB is part of ABV, the Swedish construction and engineering group, and is the leading water and sewage treatment plant supplier in Scandinavia.

There has been a long association between Purac and Water Management, which operated as the exclusive licensee for the Swedish company's patented "Floditer" system.

Recovery in UK lifts Brit. Vita halfway

PROFITS before tax of British Vita improved from £3.8m to £5.03m in the first half of 1983.

The result was struck after associated company profits of £1.57m against £1.41m and deduction of interest of £508,000 compared with £633,000. Turnover for the period was up from £48.8m to £54.5m.

Profits from the UK and Europe rose from £268,000 to £2.35m, with most of the increase attributable to UK operations, while profits from international companies declined to £3.64m against £3.11m.

Prospects for the second six months give cause of some optimism as consumer demand and the recovery in the group's UK operations appear to be continuing, say the directors.

However, they say, much yet depends on interest rate movements and the exchange rate of the pound, particularly as regards the other European countries.

A higher interim payment of 2.5p (2.7p) is due with earnings for the period up from 5.4p to 11p. The attributable balance came out at £2.82m against £1.46m after tax £1.90m (£1.58m), minorities £28,000 (£82,000), and an extraordinary debit this time of £177,000.

comment

Improved volume in its UK businesses has been the key to British Vita's first half improvement, after a year when heavy debt (particularly in the furniture manufacturing sector) had left the company almost entirely dependent on its overseas earnings.

Consumer demand has impacted directly on the profits to be gained from pillows and duvets, less immediately on foam produced for the furniture manufacturer.

On automotive upholstery, but the increase in off-take overall has been sufficient to produce a record level of UK profits.

This move then outweighs the falling away overseas (partly a function of currency) and allows a fairly relaxed view to be taken of blocked profits in Zambia and, at present, Nigeria. The modest dividend rise if repeated at the year-end would suggest a yield of 4.4 per cent at yesterday's price of 192p, up 5p, while sustained UK demand might see pre-tax profits past £10m for a prospective P/E on a 40 per cent charge of around nine times net earnings.

I. & J. Hyman

A combination of benefits arising from I. & J. Hyman's UK rationalisation programme and the group's foam products, coupled with increased contributions from its diversified activities led to a recovery in first-half profits for 1983 from £17,976 to £389,214.

Earnings per 5p share are given as rising to 2.89p (0.18p), but the interim dividend is again being missed. The directors say a final distribution will be recommended in light of the full year results. For 1982, a single payout of 0.1p net was made on pre-tax losses of £424,190.

Turnover advanced from £11.25m to £13.65m while taxable profits were struck after lower interest charges of £351,164 (£363,484) reflecting a reduced level of borrowings, and related company losses of £18,582 (profits £9,333).

Tax took £25,994 (£4,937) and there were minority credits of £2,395 (£25,665) and extraordinary debits of £391,850 (nil).

MINING NEWS

Recovery for Gold Fields in second half

BY GEORGE MILLING-STANLEY

A SHARP RECOVERY in the second half of the year to June 30 gave Consolidated Gold Fields pre-tax profits for the year of £29.7m, towards the top of the share market's range of expectations.

This enabled the group to maintain the final dividend at 16p, making an unchanged total of 24.5p, better than many people had hoped.

There was, however, a note of warning from Mr Randolph Agnew, chairman. He indicated that the group would like to see its dividend twice covered by earnings, on average over the current cycle.

After last year's figure of 1.3 times, and 1981-82 1.5, earnings will clearly have to rise substantially before shareholders can look for an increased payment.

The absence of foreign exchange profits which contributed £22m in the preceding 12 months, an increase of £15.1m in the net interest charge owing to the fact that the previous year's charge was reduced by £12m arising from changes to the deferred tax provision.

These differences left net profits £15.0m lower at £37. Earnings came out at 30.5p per share, down from 39p last time.

In addition, there was an extraordinary provision of £57m against the losses anticipated on discontinuing the investment in the U.S. drilling rig operation Skytop Brewster, which Gold Fields has taken below the line.

Mr Agnew said that this provision, made last November, still looked to be about the right size. Negotiations are under way over the sale of part of the business to Ingersoll-Rand.

The London share market seemed encouraged by the results. The shares opened at around the 600p level, jumped to 610p on the announcement, and moved further ahead to close at 614p.

See Lex

African diamond mine for RTZ

THE SOUTH AFRICAN arm of London's Rio Tinto-Zinc group has opened a small-scale project to evaluate the economic potential of an area of diamondiferous gravel in the Tlokweng area of Bophuthatswana, west of Johannesburg.

Rio Tinto South Africa, a wholly-owned subsidiary of RTZ, has been granted a lease covering 2,300 hectares, of which 760 hectares is alluvial gravel in the Molepo River, about 10 kilometres from the town of Mankung.

Mr Al Leroy, the South African managing director, estimates that gravel amounts to about 20m tonnes of diamond-bearing material, reports Jim Jones in Johannesburg.

Mr Leroy was not prepared to be drawn on the potential yield of the area, beyond saying that the preliminary indications were that the material is low-grade.

but containing high-quality gem diamonds.

The company has so far spent about R6m (£3m) on the project, which will treat around 400,000 tonnes of gravel a year. This is small in comparison with the other big diamond mines in South Africa, operated by De Beers Consolidated Mines. The group's Finsch mine, for example, treated 4.2m tonnes of rock last year.

The project may be expanded after the evaluation process, expected to take about a year, is complete, but Mr Leroy said that the operation's economic viability does not depend on this. Negotiations for marketing the diamonds are under way.

Diamonds were first discovered in the area in 1901 and there was considerable exploration work done in the 1920s, when the largest gem so far discovered there, of 110 carats, was found. RTZ became involved in 1981.

Tin output remains low

THE LATEST output figures from Malaysia's tin producers continue to reflect the effect of the controls imposed under the sixth International Tin Agreement.

Tin concentrate output for the month of August by Malaysia Mining Corporation (MMC) and its subsidiaries fell slightly to 508 tonnes from 513 tonnes in July. MMC is controlled by Pemas Charter Management.

Other companies controlled by Pemas Charter showed a small rise to 1,219 tonnes, against 1,103 tonnes in July. Large increases were reported by Ayer Hitam, up from 70 tonnes to 149 tonnes, and Aekam Khal, from 57 to 82 tonnes.

with 138 tonnes against 67 tonnes.

These big rises were however largely offset by lower totals from the other producers.

All of the dredges reported closed during July, and in addition, three other dredges were affected by closures for part of the month.

The latest output figures are compared in the following table.

Prieska moves nearer closure

THE RECENT uptick in copper and zinc prices seems unlikely to save the Anglovaal group's Prieska copper mine in South Africa's north-west Cape region.

Mr Tom Swenson, chairman, confirmed that the mine remains likely to close in the second half of 1983.

milled 2,96m tonnes of ore to produce 94,774 tonnes of copper concentrates, 158,514 tonnes of zinc concentrates and 100,626 tonnes of pyrite concentrates.

Sales revenue was unchanged at R78.7m, and pre-interest operating profits rose to R10.2m from R1.5m.

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 9EB Telephone 01-621 1212

1982-83	Company	Price	Change	Gross Yield	P/E	Fully
High Low						
136	120 Ass. Brit. Ind. Ord.	132	—	6.4	4.8	7.7
138	117 Ass. Brit. Ind. CULS.	140	—	10.0	7.2	10.1
139	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
140	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
141	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
142	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
143	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
144	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
145	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
146	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
147	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
148	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
149	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
150	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
151	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
152	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
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182	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
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186	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
187	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
188	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
189	117 Airprogr. Group	72	8.1	8.3	20.0	20.8
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SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Wednesday September 14 1983

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WALL STREET

Gentle glide
to safer
altitudes

A MORE settled flight path was re-established on Wall Street yesterday, albeit still downward for much of the day, after the turbulence of the previous session disrupted an ascent to peak levels, writes Gordon Crumb in New York.

The Dow Jones Industrial average closed 4.98 off at 1,224.09, with trading volume of some 74.1m shares down from Monday's 114.02m but with a bigger proportion of stocks in the broader market registering declines. Yesterday 540 rose and 1,043 fell against the previous day's ratio of 816 to 842.

News of a fall in August retail sales, a sign that credit demand would not fuel rate rises, brought a 1/4 point upward flip in bond prices at the long end. But dealers said the thin market was unable to sustain the rise, and quotations fell back again to a half-point or so below overnight levels.

The drag on both equity and bond prices was the pending Treasury funding programme over the next week. An auction today will offer \$8bn in two-year notes, and the authorities announced after the official close that a further \$14.25bn in longer-term paper would be issued.

Securities house analysts noted that the bond market was not following through its impressive gains of last Friday, achieved on the back of a welcome contraction in U.S. money supply. The key Federal Funds rate for interbank lending, at 9 1/2 per cent yesterday against an average for the prior session of 9.40, had not shown any decline clear enough to reflect an easing in Federal Reserve policy.

One analyst - while forecasting a rise in the M-1 measure this week at the low end of expectations at less than \$3bn, still well within target range - warned that this would not necessarily help the stock market. A likely concomitant of a monetary slowdown would be a less distinguished growth in corporate earnings next year.

As far as the bond market was concerned, he said, Friday's "excess of optimism" had since been "restrained by reality."

Meanwhile, alarmist rumours that the Fed had got its sums wrong merely brought distress to some stock investors and hargains to others on Monday.

For stocks in the securities firms themselves, yesterday brought little cheer after Monday's sell-off on lower profit projections. Merrill Lynch, volume leader for the second day, eased a further 3/4 to \$37 1/4, as did Phibro-Salomon at \$28.

Annual figures from Macy, the department store group, failed to impress and its stock slipped 5/8 to \$49 1/4. Sears shed 3/4 to \$37 1/4.

Retailers and manufacturers of consumer goods would emerge worst from a sales lull-off.

Of the airlines UAL, which forecast a third-quarter profit drop, came down 5/4 to \$28 1/4. AMR Corporation, holding company for American Airlines, fell 3/4 at \$28 1/4 despite being cleared on price fixing charges and despite a strong recommendation from Goldman Sachs to buy at up to \$33 on its "important progress" in controlling costs.

Chrysler, which successfully recouped 14.4m of its own warrants from the Treasury at \$21.802 each, came down 5/4 to \$28 1/4 in line with a weaker motor sector.

Signal Companies, the conglomerate set to raise up to \$180m from the sale of 6.5m Diamond Shamrock shares, nonetheless dipped 3/4 to \$38 while the energy group was 5/8 down at \$24 1/4.

One of the day's better gains came from Paradyne, the data communications equipment concern which was reportedly nearing accord with the Securities and Exchange Commission on an allegedly fraudulent Federal contract bid. It picked up 1 1/4 to \$20 1/4.

National Intergroup, the former National Steel renamed yesterday to reflect the company's diversification, had an uncomfortable debut with 1 1/4 slide to \$30 1/4.

The credit markets drifted weaker than their overnight levels, with the three-month Treasury Bill at 9.05 and its six-month counterpart at 9.15 per cent, each discounted two basis points firmer than Monday evening's auction averages.

The 12 per cent bond due in 2013 dipped 1/8 to 103 1/4. Dealers in the corporate sector said the market was quiet but edgy ahead of the Fed's financing exercise.

TOKYO

Blue chip
speculators
sell out

SPECULATORS, discouraged by the unexpected plunge on Wall Street, sold blue chips in Tokyo yesterday, pushing the Nikkei-Dow average down 55.80, writes Shigeo Nakajima of Jiji Press.

The 255-issue market barometer dipped below the 9,300 mark to finish the day at 9,299.33 on volume of 258.42m shares, up from Monday's 252.10m. Losers outnumbered gainers 396 to 241, with 205 issues unchanged.

Bond prices dropped as investors became wary of recent rapid price gains. Speculators bought blue chips and speculative issues on Monday on the expectation that the steep decline in U.S. M-1 money supply announced last week-end would push share prices up in New York. But as prices dropped contrary to expectation, they turned to unloading blue-chip stocks yesterday.

Sony plunged Y80 to Y3,710, TDK Y80 to Y5,340 and Matsushita Electric Industrial Y40 to Y1,860.

Fujisawa Pharmaceutical came under a barrage of massive selling on reports that an executive had been arrested on charges of illegally obtaining confidential data on drugs developed by other companies from an official of the Health and Welfare Ministry. It lost Y80 to Y940.

This, together with investors' fear that the combined margin buying balance on the Tokyo, Osaka and Nagoya exchanges, announced after the close of the market, would swell further, worsened the undertone of the market.

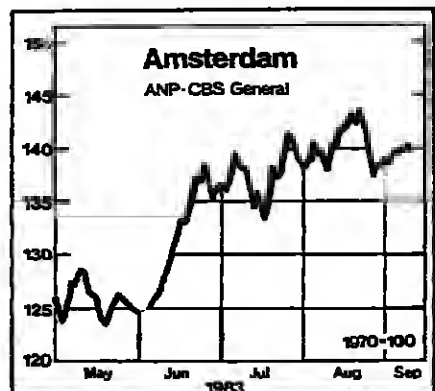
The margin buying balance as of last Friday actually increased by Y27bn over the preceding weekend to Y2,412.4bn, scoring an all-time record for the third week in a row. The selling balance came to Y276.2bn, up Y2.2bn.

Amid the debacle of blue chips, Aoki Construction registered its maximum gain permitted for a single day of Y59 to reach Y1,050. Other speculatives also rallied, with Teikoku Oil adding Y8 to Y793 and Penta-Ocean Y8 to Y345. Mitsubishi Heavy Industries rose Y8 to Y244

and Kawasaki Heavy Industries Y5 to Y157.

Bond yields shot up despite slower selling. The yield drop of last week led investors to take profit yesterday and some major securities houses liquidated their swollen holdings.

Yield on 7.5 per cent government bonds with 9 1/2 years to maturity went up from 7.885 per cent on Monday to 7.93 per cent. That on 7.7 per cent government bonds with 8 1/2 years to maturity climbed from 7.54 to 7.59 per cent.



EUROPE

Search for
a positive
pointer

MONDAY'S surprise turnaround in Wall Street prices left bourses searching for a new direction yesterday, and unable to find anything more positive than the dollar's renewed strength, they languished for the most part in thin and trendless trading.

Fears that U.S. money supply will display an unhealthy bulge in coming weeks proved an added depressant in Frankfurt, where prices slipped across the board in light turnover.

The Commerzbank 60-share index reflected the easier tone, slipping 7.7 points to 921.1.

Motors traded confidently at first but then weakened, with Daimler finishing DM 3.20 off at DM 589.50 and VW DM

2.70 lower at DM 216. BMW hung on at DM 378.

Deutsche Bank led a general decline in banks with a DM 8.90 slide to DM 300, while Commerzbank eased DM 2 to DM 167.50 and Dresdner DM 1.50 to DM 169.

Worries about U.S. monetary expansion wiped out much of the previous day's gains in the domestic bond market, with public authority bonds losing around 0.25 of their 0.40 improvement. The Bundesbank aimed to level yields with a sale of DM 6.1m of domestic paper in the market, against DM 98.1m on Monday.

Concern that Belgium's rail strike might spread to the entire public sector, testing the Government's austerity programme and putting new pressures on the franc, sent prices sharply lower in Brussels.

Equities sagged in all sectors except holding companies, which were mixed, with Societe Generale BFR 55 easier at BFR 1880 but Finoutremer BFR 38 ahead at BFR 1498 and Sofina up BFR 10 at BFR 4990.

Steel issues were hard hit. Arbed slipping BFR 10 to BFR 1388 and Cockerill BFR 1 to BFR 163 after Belgian and Luxembourg officials broke off talks aimed at establishing closer production links between the two groups.

Oil stocks led the retreat as Paris prices surrendered the gains of the past two trading days, Esso plunging FFR 13 to FFR 300. Overall, falls outnumbered gains by almost four to one.

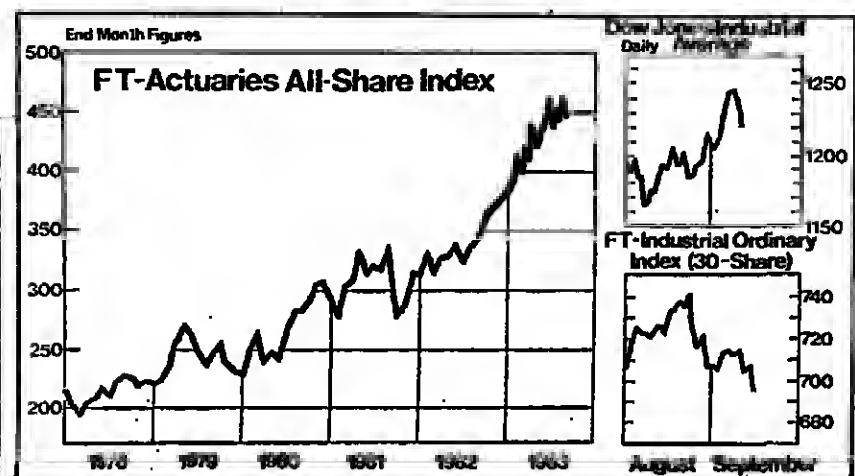
Insurance issues were the only bright spot in Amsterdam, where Ennia scored another FI 9 to FI 171 on prospects of a merger with Ago Holding. Other insurers followed the trend, with Aneuv 50 cents up at FI 128.

A cautious attitude prevailed in Zurich in the face of Wall Street's decline and the stronger dollar. Prices were little changed and dealers said the market seemed to have stalled in the absence of a clear new indication on interest rate direction.

In Milan, prices closed generally easier as end-account liquidation met little buying interest. The weak tone also reflected dissatisfaction at the failure of Monday's cabinet meeting to decide on measures to support the stagnating industrial sector.

Madrid prices reversed the general European trend, rising in quiet trading to push the bourse index 1.42 points forward to 115.71. Banks scored particularly good gains, but chemicals and electricals were also strong.

KEY MARKET MONITORS



NEW YORK	Sept 13	Previous	Year ago
DJ Industrials	1224.09	1225.07	918.69
DJ Transport	561.05	568.15	374.75
DJ Utilities	131.21	132.23	115.22
S&P Composite	164.80	165.48	122.24

LONDON	Sept 13	Previous	Year ago
FT Ind Ord	695.8	707.9	585.7
FT-A All-share	445.30	451.86	357.71
FT-A 500	480.28	488.65	395.89
FT-A Ind	431.25	437.80	365.68
FT Gold mines	674.2	694.5	366.3
FT Govt secds	80.82	80.82	77.45

TOKYO	Sept 13	Previous	Year ago
Nikkei-Dow	9299.33	9355.13	7073.93
Tokyo SE	695.85	687.63	531.28

AUSTRALIA	Sept 13	Previous	Year ago
All Ord.	731.1	736.7	491.1
Metals & Mins.	603.8	613.3	399.8

AUSTRIA	Sept 13	Previous	Year ago
Credit Aktien	55.15	55.13	48.84

BELGIUM	Sept 13	Previous	Year ago
Belgian SE	132.08	133.14	100.26

CANADA	Sept 13	Previous	Year ago
Toronto Composite	2560.6	2575.4	1602.1
Montreal Industrials	457.70	460.33	291.7
Combined	430.47	432.48	275.15

DENMARK	Sept 13	Previous	Year ago
Copenhagen SE	204.47	n/a	84.79

FRANCE	Sept 13	Previous	Year ago
CAC Gen	134.2	135.2	98.5
Ind. Tendance	143.1	144.6	113.1

WEST GERMANY	Sept 13	Previous	Year ago
FAZ Aktien	310.42	312.65	221.77
Commerzbank	921.10	928.8	672.2

HONG KONG	Sept 13	Previous	Year ago
Hang Seng	905.26	910.92	1080.37

ITALY	Sept 13	Previous	Year ago
Banca Comm.	197.79	199.61	163.63

NETHERLANDS	Sept 13	Previous	Year ago
ANP-CBS Gen	139.6	140.5	86.1
ANP-CBS Ind	112.6	112.5	68.0

NORWAY	Sept 13	Previous	Year ago
Oslo SE	210.8	211.38	104.44

SINGAPORE	Sept 13	Previous	Year ago
Straits Times	978.02	974.7	829.37

SOUTH AFRICA	Sept 13	Previous	Year ago
Gold	934.6	973.0	605.5
Industrials	948.5	946.1	812.2

SPAIN	Sept 13	Previous	Year ago
Madrid SE	115.71	114.29	102.26

SWEDEN	Sept 13	Previous	Year ago
J & P	1504.74	1500.38	622.06

SWITZERLAND	Sept 13	Previous	Year ago
Swiss Bank Ind	337.1	338.2	246.3

WORLD	Sept 13	Previous	Year ago
Capital Int'l	180.0	180.1	134.2

GOLD (per ounce)	Sept 13	Previous	Year ago
London	\$406.875	\$414.375	
Frankfurt	\$406.75	\$416.00	
Zurich	\$407.50	\$417.50	
Pans (luxing)	\$407.08	\$418.50	
Luxembourg (fixing)	\$407.28	\$417.00	
New York (Sept)	\$407.10	\$405.30	

* Indicates latest pre-close figure

CURRENCIES

U.S. DOLLAR	Sept 13	Previous	Sept 13	Previous
(London)	Sept 13	Previous	Sept 13	Previous
\$	2.679	2.6605	4.015	4
DM	243.9	243.4	365	366
Yen	8.085	8.0125	12.075	12.035
FFr	2.1775	2.163	3.255	3.2525
SwFr	2.9975	2.9765	4.48	4.475
Gold	1599.5	1599.5	2390.5	2398
Lira	53.97	53.46	80.65	80.35
BFR	1.23225	1.23075	1.8405	1.849
CS				

INTEREST RATES

Euro-currencies	Sept 13	Prev
(three month offered rate)		
\$	9 1/4	9 1/4
SwFr	4 1/4	4 1/4
DM	5 1/4	5 1/4
FFr	15	15

FT London Interbank fixing

(offered rate)	Sept 13	Prev
3-month U.S.\$	10	9 1/4
6-month U.S.\$	10 1/4	10 1/4
U.S. Fed Funds	9 1/4	9 1/4
U.S. 3-month CDs	9.50	9.50
U.S. 3-month T-bills	9.05	9.06

U.S. BONDS

Treasury	Sept 13	Prev	Yield
10% 1985	99 1/2	10.71	99 1/2
10% 1990	96 1/2	11.53	96 1/2
11% 1993	101 1/4	11.57	101 1/4
12% 2013	109 1/4	11.61	109 1/4
Corporate	Sept 13	Prev	Yield
AT & T	93.93	11.70	94.15
10% June 1990	88 1/4	10.55	88 1/4
3% July 1990	88 1/4	10.55	88 1/4
9% May 2000	75 1/2	12.25	75 1/2
Xerox	10% March 1993	82.87	11.90
Diamond Shamrock	10% May 1993	90 1/4	12.25
Federated Dept Stores	10% May 2013	12.15	87.802
Abbott Lab	11.6 Feb 2013	12.20	96.789
Alcoa	12% Dec 2012	12.65	96.881

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%	71-30	72-12	71-29	72-04
September				
U.S. Treasury 8 1/4% (NMM)				
51m points of 100%	90.66	90.72	90.62	90.67
U.S. Treasury 8 1/4% (NMM)				
51m points of 100%	90.58	90.60	90.53	90.55

LONDON

Three-month Eurodollar	Latest	High	Low	Prev
December	89.63	89.67	89.78	89.93
20-year National GBR	250.00	32nds of 100%		
September	103-23	103-28	103-20	103-28

COMMODITIES

(London)	Sept 13	Prev
Silver (spot fixing)	792.40p	815.60p
Copper (cash)	£1078.00	£1072.50
Coffee (Sept)	£1722.50	£1716.00
Oil (spot Arabian light)	\$28.62	\$28.62

LONDON

Uncertainty
in wake of
reversals

CONDITIONS in London equity markets turned extremely dull and uncertain yesterday following the totally unexpected overnight reversal on Wall Street.

Confused dealers received selling orders before the official 9.30am opening and consequently marked leading shares down sharply. An attempted rally petered out and the FT Industrial Ordinary index closed 12.1 down at the day's lowest of 695.8.

In contrast to Monday's buoyancy, gilts drifted gently lower, digesting the turn of events in America and the terms of the new £1bn short-dated tap stock, 10 per cent Treasury 1987. Compared with equities, however, the tone held steady with losses limited to 1/4 to 1/2.

The recent high-flying Australians ran into heavy profit-taking in overnight domestic markets and in New York and were marked down accordingly in London at the opening. Details, Page 33, Share Information Service 34-35.

AUSTRALIA

MINING stocks suffered badly in Sydney as Monday's sharp reverse on Wall Street took investors by surprise.

The All Ordinaries index slid 5.6 points to 731.1, with the metals and minerals component surrendering 9.5 to 803.6.

A stronger Australian dollar was also said to have hurt shares of mining groups, whose export revenues decline when the currency firms. BHP fell 20 cents to AS12.50, Boulderville 14 cents to AS2.68, MIM 13 cents to AS4.35 and CSR 7 cents to AS4.35, although CRA closed steady at AS8.30.

SINGAPORE

A BLEND of buying interest and profit-taking left prices mixed in quiet trading in Singapore yesterday. Most operators remained on the sidelines in the general lack of trading enthusiasm, but the Straits Times index gained 3.32 points to close at 978.02. Losers outnumbered gains 95 to 41.

Banks were unchanged or lower, but commodities showed strength.

HONG KONG

THE continued weakening of the local currency against the U.S. dollar sent prices sharply lower in early trading in Hong Kong. But a partial recovery late in the morning continued until the close, when the Hang Seng index stood at 908.26, off 4.66, after a 7.38 loss at one stage.

SOUTH AFRICA

STRONG selling pressure developed yesterday in Johannesburg as the bullion price plunged, resulting in sharply lower gold shares.

Losses up to R5 were encountered as with heavyweights Vaal Reefs at R145, while cheaper producer producers shed up to R1 such as Unisel at R17.

CANADA

A SOURING of New York sentiment spilled over into Canadian stocks yesterday with both Toronto and Montreal generally lower by mid-session.

Metals and minerals showed the heaviest losses in Toronto, with golds and oil and gas issues also encountering price setbacks.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 3

OIL AND GAS—Continued

OFFSHORE AND OVERSEAS

[illegible]

COMMODITIES AND AGRICULTURE

Bullish response to crop report

BY NANCY DUNNE IN WASHINGTON

TRADERS at the Chicago Board of Trade initially reacted bullishly yesterday to Monday's Government crop report which said that the worst U.S. drought in half a century would reduce maize production to 4.38bn bushels and soybean output to 1.53bn bushels.

When the markets opened, soybean prices were up 23-25 cents a bushel over Monday's close at \$9.38 a bushel and maize was up more than 5 cents a bushel to \$3.70. Wheat rose 3 cents a bushel with the other grains, although the Department of Agriculture (USDA) said output will be down only 14 per cent from last year.

Prices turned sharply down somewhat in later trading because of uncertainty that the new report had already been built into the market and in anticipation of a bearish

Government supply-demand report throughout late Tuesday. Traders believe the new report would show a decline in both domestic and export usage of maize and wheat and a smaller decline in soybean output.

The report is unlikely to have any effect on soybeans. The USDA is likely to produce a negative carryover in stock, traders say, unless prices rise swiftly to reduce demand.

Traders are expecting the Government's October crop report to show even steeper production declines than those already reported while the September estimate showed sharply lower yields, planted acreage was reduced only slightly.

It is expected that the continued drought in September will lead to widespread crop abandonment as farmers decide against harvesting.

Livestock 'bloodbath'

CHICAGO — While the grain markets are strong now, "the livestock market will be in a bloodbath" in the next year," according to Mr. Richard Gatt, vice-president and chief economist for Conagra.

Mr. Gatt said livestock producers were reducing production, after several years of declining domestic red meat consumption.

With escalating feed prices due to the drought, "the livestock market is sending strong signals to livestock people to cut back," he added.

Livestock slaughter is increasing, but stable production probably will not occur until 1984, he said.

"It's a real bloodbath out there, particularly for cow and calf producers. Cattle feed prices are not a pretty picture either."

Beef production is a "vicious cycle of reaction," he said. Low

feeder calf prices encourage slaughter, which brings more meat to the market and subsequently lower prices. "The cycle feeds on itself. Throw in a drought, which dries up pasture and higher grain prices and there is even more liquidation," he said.

While prices are low, ironically, cattle weights are up. "Weights have got out of hand. It makes no economic sense. But when prices are low, producers hesitate to market."

As the economy picks up, agriculture usually lags by about one year. But as 1984 nears, we'll see better demand for livestock products.

Slaughterings will be high through the first quarter of 1984, he said. Cattle prices could range from 57 to 59 cents a lb. in the first quarter, then rise to about 63 cents in the first quarter of 1984.

Copper and silver set Comex records

By Nancy Dunne in Washington

IN A BURST of metals-trading activity, both copper and silver futures have broken all-time volume records at the Commodity Exchange (Comex).

In the first eight months of trading, both metals surpassed volumes achieved for the whole of last year. More than 2.3m copper contracts changed hands between January and September 1, a 59 per cent increase in volume over 1982.

More than 4.1m silver contracts were traded between January 1 and August 24, surpassing the previous record set in 1979.

Meanwhile, crude oil open interest on Nymex has soared to almost 8,000, achieving the most rapidly expanding growth of any major commodity contract. Hedging oil took two years before surpassing the 7,000 mark and regular loaded gasoline took about 16 months. Crude oil futures have been trading a more 21 weeks.

● PENINSULAR Malaysian rubber production in June rose to 119,528 tonnes from a revised 98,903 in May but was below the 130,000 tonnes in June last year.

THIS MONTH'S final meeting of the International Coffee Organisation (ICO) under the current International Coffee Agreement (ICA) should, by normal standards, be a fairly mellow affair. The expiring agreement has been surprisingly successful over the past year in its principal purpose of stabilising the world coffee market, and the new six-year pact, which replaces it on October 1, has already been negotiated.

The only remaining major issues to be decided at the September 19-30 session are the global export quotas for 1983-84 — individual country shares were agreed nearly a year ago — and the price range defended by the agreement.

There will, however, be some nagging problems to be sorted out and, in the background, the awareness of some much more serious problems being stored up for the future.

The inescapable fact is that world coffee production is in structural surplus and market balance can be bought only at the price of increasing producer stocks — unless the Brazilian weather steps in to save the day.

Luckily for Brazil, but unfortunately for the rest of the world's coffee producers, it has failed to do this for the last two seasons.

A severe frost in 1981 cut

Mellow mood likely at coffee agreement talks

Richard Mooney looks at problems percolating in the coffee market

Brazil's coffee production in 1982/83 to about 17.5m bags (60 kilos each) from 33m in 1981/82. A frost-free 1982 winter has since allowed the 1983-84 crop to recover to an estimated 30.75m bags, boosting world stocks to around 48m or half annual world production, and another Brazilian bumper crop this year promises to lift the surplus still higher.

This might seem a recipe for falling prices but in fact the market has remained remarkably steady. For most of this year coffee prices on the London futures market have remained within a \$220 range, breaking through its upper limit of around \$170 only when an artificial supply shortage had a short-lived Ivory Coast crop scare (following bush fires) pushed the second position futures price to \$194.50 a tonne in late March.

The market's resistance to downward movement can be attributed almost entirely to the operation of the ICA. This agreement seeks to balance supply with demand by increasing producer export quotas when prices move outside a predetermined range.

This year, however, stability has been achieved without the expected quota cuts.

Traders attribute this to the ICO's policy of delaying the release of a proportion of the final quarter (July-Sep-

tember) quota from August 15 to September 15 thus effectively removing much of this coffee from the 1982/83 marketing year.

But it will, of course, tend to reduce demand for coffee from the 1983/84 first quarter quota. The ICO is expected to attempt some fine tuning on that quota by repeating arrangements introduced last year when it withheld 800,000 bags from the quota unless the indicator price reached \$175 U.S. cents (7.5 cents above the floor level) on or after November 15.

Consumer delegations can be expected to seek a reduction in this secondary trigger level at this month's meeting, arguing that this would tend to discourage excess production, while producers will seek a rise to cover inflation. A compromise between the two sides is widely anticipated.

Another issue likely to rouse heated debate is the discount price at which ICO producers have been selling coffee to non-member consumers. At times

this year the price to non-members was half that charged to members and this fact will be used to support arguments for a reduction in the agreement's floor and ceiling prices.

While ICO producers account for 99 per cent of world output, consumer members account for less than 90 per cent of usage and this is believed to have resulted in a growing "clandestine" trade.

ICO figures showing that sales to non-members grew to 9.5m bags last season from 5.1m in 1979 have convinced observers that much of this coffee is being secretly sold on to member countries at knock-down prices, a thesis supported by the fact that sales to non-members have been well in excess of their normal annual consumption.

Tighter controls have been imposed to monitor non-member trade but some traders doubt the ability of the ICO to prevent back-door sales and feel, in any case, that the scale of the problem has been exaggerated. U.S. is expected to demand changes in the administration of the ICO's quota system to ensure that quota adjustments reflect the supply/demand balance of individual types of coffee rather than just the global position.

The Americans are known to be heavily committed to this principle, known as "select-

ivity" and have the backing of most other consumer delegations. They will face stiff opposition, however, from producers, who prefer the global approach.

● A comprehensive guide to the production, trading and consumption of coffee has been published by Woodhead-Faulkner of Cambridge. The World Coffee Trade is written by Mr. G. F. Marshall, for many years a leading coffee trader in London, and is priced at £17.50.

● THE IVORY Coast is trying to improve the quality of its coffee crop by delaying picking beans, says Marcellus dealer Georges Dars.

● A FOWLER failure stopped trading for 40 minutes yesterday in the London robusta coffee futures market.

● Another week of rain is needed to alleviate fears of further water restrictions in Devon, according to the South West Water Authority.

● The situation in north and mid-Devon was most critical, with the Westland Flood reservoir less than 40 per cent full.

● "Without prolonged rainfall and a large cut in consumption, further restrictions on use will be inevitable."

● Cash aluminium recovered a little after a heavy decline in early trading but still ended the day £8.50 down at £1,068 a tonne, the lowest level since mid-March.

The lead market was featureless but followed the general trend of cash metal ending £2.75 down at £26.25 a tonne. Tin was supported by International Tin Agreement buffer stock buying and ended £17.50 higher at £2,425 a tonne.

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Dairy dispute unresolved

GENEVA — The European Community and the U.S. failed to reach a dispute over a U.S. sale of 25,000 tonnes of butter and cheese to Egypt.

At a special meeting yesterday of the International Dairy Council, a forum of the General Agreement on Tariffs and Trade (GATT) grouping all major dairy-producing countries, the EEC asked the U.S. to pledge to renounce further sales at prices below world levels.

The U.S. was not prepared

to give that pledge, saying the sale was above world prices and therefore within GATT rules, trade sources said.

Yesterday's meeting was requested last month by the Community, which argued that the sale was unfair trade practice violating GATT rules because it injured the EEC's interests in Egypt, which it views as a traditional European market.

It was agreed that the issue will be discussed at the next regular meeting.

Zinc leads LME slide in base metals

BY RICHARD MOONEY

FALLS IN oil and precious metal prices, coupled with hopes that Brazilian debt repayment might help avert an international monetary crisis, pushed base metals prices lower on the London Metal Exchange yesterday.

The heaviest fall was in zinc, which ended \$1.50 down at \$55.5 a tonne for the cash quotation. Cash zinc has now fallen £24.50 below the nine-year high reached at the end of last month as the recovery in the motor in-

dustry encouraged expectations of a sharp rise in demand.

There have been no fundamental developments to explain the change of sentiment and dealers see the fall mainly as the result of speculative selling by long holders who have given up hopes of further substantial gains until at least 1984.

Zinc's fall was thought to be a factor encouraging a further decline in copper prices. Cash high grade copper finished the day £14.50 lower at £1,068 a tonne, the lowest level since mid-March.

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PRICE CHANGES

In tonnes unless stated otherwise	Sept. 13 1983	+ or -	Month ago
Metals			
Aluminium	£1050	-	£1050
Copper	£1080	-	£1080
Lead	£1080	-	£1080
Nickel	£1080	-	£1080
Platinum	£1080	-	£1080
Silver	£1080	-	£1080
Tin	£1080	-	£1080
Zinc	£1080	-	£1080
Grains			
Wheat	£1080	-	£1080
Maize	£1080	-	£1080
Soybeans	£1080	-	£1080
Oil			
Crude oil	£1080	-	£1080
Gas oil	£1080	-	£1080
Other			
Gold	£1080	-	£1080
Silver	£1080	-	£1080
Palladium	£1080	-	£1080
Rhodium	£1080	-	£1080
Platinum	£1080	-	£1080
Silver	£1080	-	£1080
Tin	£1080	-	£1080
Zinc	£1080	-	£1080
Wool	£1080	-	£1080
Woolfats	£1080	-	£1080
Zinc	£1080	-	£1080
Producers	£1080	-	£1080

LONDON OIL SPOT PRICES

Grade	Sept. 13 1983	+ or -	Month ago
CRUDE OIL - FOB (per barrel)			
Arabian Light	£88.00	-	£88.00
Arabian Heavy	£88.00	-	£88.00
North Sea (Forbes)	£90.00-£1.00	-	£90.00-£1.00
North Sea (Gulf)	£90.00-£1.00	-	£90.00-£1.00
African/Bonny/Light	£90.00-£1.00	-	£90.00-£1.00
PRODUCTS - North West Europe			
Gas oil	£197.00	-	£197.00
Heavy fuel oil	£197.00	-	£197.00

GOLD MARKETS

Gold fell 57¢ to \$401.4074 on the London bullion market yesterday. The metal opened at \$401.4081, as a result of selling pressure in New York on Monday, and was fixed at \$401.4081 in the morning and afternoon. It touched a peak of \$401.4081, and a low of \$401.4041.

In Paris the 12 1/2 kilo gold bar was fixed at DM 35,075 per kilo (940.27 per ounce), against DM 35,080 (940.33) in the morning and afternoon. It touched a peak of \$401.4081, and a low of \$401.4041.

In Frankfurt the 12 1/2 kilo gold bar was fixed at DM 35,075 per kilo (940.27 per ounce), against DM 35,080 (940.33) in the morning and afternoon. It touched a peak of \$401.4081, and a low of \$401.4041.

LONDON FUTURES

Gold Bullion (fine ounce)				
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999.995	4071	999.995	444.444	(2878.5, 576)
999.995	4071	999.995	444.444	(2878.5, 576)
999.995	4071	999.995	444.444	(2878.5, 576)
999.995	4071	999.995	444.444	(2878.5, 576)
999.995	4071	999.995	444.444	(2878.5, 576)
999.995	4071	999.995	444.444	(2878.5, 576)

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar gains on firmer interest rates

The dollar rose in currency markets yesterday as upward pressure on Euro-dollar rates ahead of the U.S. Treasury's latest refunding package. Money supply fears also continued to be an unsettling factor.

Sterling traded quietly to finish slightly down against the dollar but firmer against European currencies.

DOLLAR — Trade weighted index (Bank of England) 128.8 against 128.7 a month ago. The latest figures on money supply have given rise to cautious optimism as fears of a sharp rise in M1 rise in September now seem to have been averted. The dollar had previously been at record levels on fears of higher U.S. interest rates as a result of the 12% budget deficit and money supply growth.

The dollar rose to DM 2.6790 from DM 2.6805 against the D-mark and SwFr 2.1775 from SwFr 2.1630. It was also higher against the French franc at FF 160.00 from FF 159.25 and against the Italian Lira at Lit 203.00 from Lit 202.50.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.6458. August average 1.6327. Trade-weighted index 128.8 against 128.7 a month ago and 128.4 at the opening and compared with 128.5 on Monday and 128.4 six months ago. The pound

has been quite steady recently but is beginning to look a little fragile against European currencies as upward pressure on interest rates eases. As with other currencies it is currently hostage to the varying fortunes and fluctuations of the U.S. dollar.

The pound opened at 1.6475-1.6485 against the dollar and traded between 1.6480 and 1.6510 before closing at 1.6495-1.6505, a fall of 83 points. Against the D-mark it rose to DM 2.6790 from DM 2.6805 and SwFr 2.1775 from SwFr 2.1630.

D-MARK — Trading range against the dollar in 1983 is 2.6715 to 2.7320. August average 2.6735. Trade-weighted index 125.6 against 125.5 a month ago. The D-mark has been at its lowest level for nearly 10 years against the dollar, reflecting the large differential between U.S. and German interest rates. A softer tone in U.S. rates, together with a rise in the German Lira, have served to narrow the gap however, as the Bundesbank has moved to counter excessive money supply growth.

The D-mark was strong within the EMS at the Frankfurt summit, but fell against the dollar and sterling. At a rather loose fixing session the German central bank sold about 85m when the dollar was fixed at DM 2.6770, compared with DM 2.6565 previously, but

there was no sign of official intervention on the open market. Sterling rose to DM 4.0010 from DM 3.9950, while the French franc fell to DM 33.155 from DM 33.180.

BEIGIAN FRANC — Trading range against the dollar in 1983 is 34.45 to 35.50. August average 34.95. Trade-weighted index 90.9 against 90.8 a month ago. The Belgian franc is the weakest member of the EMS, but has not been under any real pressure due to the weakness of European currencies as a whole. However, a switch back into currencies such as the D-mark may ultimately lead to renewed strains on the weaker members of the system.

The Belgian franc was weak at the Brussels fixing, losing ground to the dollar, sterling, Swiss franc, and members of the EMS, while the difference between commercial and financial rates widened on nervousness about the implications of yesterday's strike, and the country's public service workers on Thursday in protest at the Government's austerity programme. The dollar rose to Bfr 33.425 from Bfr 33.425 at the fixing; sterling to Bfr 80.60 from Bfr 80.40; and the D-mark to Bfr 20.145 from Bfr 20.125.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU	Central bank rates	% change	% change	Divergence
		Sept 13	Sept 13	Sept 13	Sept 13
Belgian Franc	40.338	40.338	+0.03	+0.03	+0.03
French Franc	6.5596	6.5596	+0.03	+0.03	+0.03
German D-Mark	2.3636	2.3636	+0.03	+0.03	+0.03
Italian Lira	203.00	203.00	+0.03	+0.03	+0.03
Spanish Peseta	166.64	166.64	+0.03	+0.03	+0.03
Portuguese Escudo	200.48	200.48	+0.03	+0.03	+0.03
Irish Punt	7.8756	7.8756	+0.03	+0.03	+0.03
Swedish Krona	13.7603	13.7603	+0.03	+0.03	+0.03
Swiss Franc	2.0375	2.0375	+0.03	+0.03	+0.03
Yugoslav Dinar	135.00	135.00	+0.03	+0.03	+0.03

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

	Sept. 13	Sept. 13	Sept. 13	Sept. 13	Sept. 13
	£	\$	DM	FF	Yen
Argentina Peso	117.60-117.80	117.60-117.80	23.00-23.20	1.00-1.00	1.00-1.00
Australia Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Canada Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Denmark Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Finland Markka	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
France Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Germany Mark	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Greece Drachma	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Hong Kong Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
India Rupee	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Indonesia Rupiah	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Japan Yen	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Korea Won	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malaysia Ringgit	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malta Lira	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Netherlands Guilder	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Norway Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Poland Zloty	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Portugal Escudo	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Spain Peseta	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Sweden Krona	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Switzerland Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Taiwan Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Thailand Baht	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.S. Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.K. Pound	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00

* Selling rates.

CURRENCY MOVEMENTS CURRENCY RATES

	Sept. 13	Sept. 13	Sept. 13	Sept. 13	Sept. 13
	£	\$	DM	FF	Yen
Argentina Peso	117.60-117.80	117.60-117.80	23.00-23.20	1.00-1.00	1.00-1.00
Australia Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Canada Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Denmark Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Finland Markka	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
France Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Germany Mark	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Greece Drachma	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Hong Kong Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
India Rupee	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Indonesia Rupiah	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Japan Yen	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Korea Won	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malaysia Ringgit	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malta Lira	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Netherlands Guilder	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Norway Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Poland Zloty	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Portugal Escudo	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Spain Peseta	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Sweden Krona	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Switzerland Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Taiwan Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Thailand Baht	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.S. Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.K. Pound	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00

* Selling rates.

THE POUND SPOT AND FORWARD

	Sept. 13	Sept. 13	Sept. 13	Sept. 13	Sept. 13
	£	\$	DM	FF	Yen
Argentina Peso	117.60-117.80	117.60-117.80	23.00-23.20	1.00-1.00	1.00-1.00
Australia Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Canada Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Denmark Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Finland Markka	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
France Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Germany Mark	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Greece Drachma	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Hong Kong Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
India Rupee	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Indonesia Rupiah	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Japan Yen	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Korea Won	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malaysia Ringgit	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Malta Lira	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Netherlands Guilder	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Norway Krone	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Poland Zloty	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Portugal Escudo	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Spain Peseta	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Sweden Krona	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Switzerland Franc	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Taiwan Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
Thailand Baht	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.S. Dollar	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00
U.K. Pound	1.0181-1.0185	1.0181-1.0185	1.00-1.00	1.00-1.00	1.00-1.00

* Selling rates.

THE DOLLAR SPOT AND FORWARD

	Day's spread	One month	Three months
Sept 13	1,491.0-1,500.0	1,493.2-1,494.9	1,493.2-1,494.9
UK	1,170.5-1,174.8	1,170.5-1,174.8	1,170.5-1,174.8
Japan	1,170.5-1,174.8	1,170.5-1,174.8	1,170.5-1,174.8
Belgium	2,894.0-2,900.0	2,895.5-2,900.5	2,895.5-2,900.5
Germany	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
France	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Italy	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Spain	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Portugal	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Greece	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Sweden	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Norway	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Denmark	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Finland	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Poland	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Czech	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Slovak	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Hungary	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Slovenia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Croatia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Bosnia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Herzegovina	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Montenegro	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Serbia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Bulgaria	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Romania	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Moldova	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Ukraine	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Belarus	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Latvia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Lithuania	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Estonia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malta	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Cyprus	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Maldives	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Brunei	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Malaysia	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Singapore	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Thailand	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Philippines	3,810.0-3,815.0	3,810.0-3,815.0	3,810.0-3,815.0
Indonesia	3,810.0-3,815.0		

The guide also appears in extended form daily with particular emphasis on music (Monday), opera and ballet (Tuesday), theatre (Wednesday) and exhibitions (Thursday).